Department of Business Operations and Partnerships

Director: Louise Pringle
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Date: 18 February 2025
When calling please ask for: Barry Tudhope (Tel: 0141 577 3023)
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TO: Provost Montague; Deputy Provost Campbell; and Councillors Anderson, Bamforth, Buchanan, Convery, Cunningham, Devlin, Edlin, Ireland, Lunday, Macdonald, McLean, Merrick, Morrison, O'Donnell, Pragnell and Wallace.

MEETING OF EAST RENFREWSHIRE COUNCIL

A meeting of the East Renfrewshire Council will be held in the Council Chamber, Council Headquarters, Eastwood Park, Giffnock, G46 6UG on **Wednesday 26 February 2025 at 10.00 a.m.**

The agenda of business is as listed below.

Prior to the commencement of the meeting the Provost will make a statement that the meeting will be webcast live and recorded for later, publicly accessible archive viewing.

Yours faithfully

Louise Pringle

LOUISE PRINGLE
DIRECTOR OF BUSINESS OPERATIONS AND PARTNERSHIPS

AGENDA

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

Members are requested to give notice of any declarations of interest in respect of items of business on the Agenda.

3. MINUTES OF PREVIOUS MEETING

Submit for approval as a correct record and signature the Minutes of the Meeting of the Council held on 11 December 2024 (copy attached, pages 5 – 12).

4. VOLUME OF MINUTES (Issued Under Separate Cover)

Submit for approval as a correct record the Minutes of Meetings for the period 10 December 2024 to 18 February 2025.

5. ITEMS REMITTED TO THE COUNCIL

a) Interim Treasury Management Report 2024/25 – Quarter 3

Report by Head of Finance (Chief Financial Officer) (copy attached, pages 13 – 28) (Audit and Scrutiny Committee – 23 January 2025).

Audit & Scrutiny Committee Recommendation:

That the organisations for investment of surplus funds be approved in accordance with Appendix 8 to the report.

b) Treasury Management Strategy 2025/26

Report by Head of Finance (Chief Financial Officer) (copy attached, pages 29 – 74) (Audit and Scrutiny Committee – 20 February 2025).

Audit & Scrutiny Committee Recommendation:

a) that the Treasury Management Strategy for 2025/26 be approved, including the Prudential and Treasury Indicators and the amended list of organisations for investment of surplus funds (Annex E);

b) that Council approve the policy on the repayment of loans fund advances (section 3.4); and

c) that the forms of investment Instruments for use as permitted investments (Annex C).

c) Deferral of Decision to Council: Health and Social Care Partnership – Charging for Non-Residential Care Services in 2025/26.

Report by Director of Business Operations and Partnerships (copy attached, pages 75 – 82)

6. PROVOST'S ENGAGEMENTS

Report by Director of Business Operations and Partnerships (copy attached, pages 83 – 84).

7. BEST VALUE - EAST RENFREWSHIRE COUNCIL: REPORT BY CONTROLLER OF AUDIT

Report by Chief Executive (copy attached, pages 85 – 104).

8. MEDIUM TERM FINANCIAL STRATEGY 2025 - 2030

Report by Head of Finance (Chief Financial Officer) (copy attached, pages 105 – 134).

9. EAST RENFREWSHIRE COUNCIL REVENUE ESTIMATES 2025/26

Report by Head of Finance (Chief Financial Officer) (copy attached, pages 135 – 168).

10. GENERAL FUND CAPITAL PLAN 2025/26 – 2034/35

Report by Head of Finance (Chief Financial Officer) (copy attached, pages 169 – 188).

11. HOUSING REVENUE ACCOUNT – RENT SETTING 2025/26

Report by Director of Environment (copy attached, pages 189 – 198).

12. HOUSING CAPITAL PROGRAMME 2025/26 – 2035/35

Report by Director of Environment (copy attached, pages 199 – 206).

13. EAST RENFREWSHIRE CULTURE AND LEISURE TRUST 2024/25 BUSINESS PLAN

Report by Director of Education (copy attached, pages 207 – 242).

14. UPDATED CIVIC EVENT PROTOCOL (INCORPORATING FLAG FLYING PROTOCOL)

Report by Director of Business Operations and Partnerships (copy attached, pages 243 – 250).

15. LICENSING COMMITTEE – APPOINTMENT OF VICE CHAIR

Report by Director of Business Operations and Partnerships (copy attached, pages 251– 252).

A recording of the Council meeting will also be available following the meeting on the Council's YouTube Channel https://www.youtube.com/user/eastrenfrewshire/videos

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AGENDA ITEM No. 3

MINUTE

of

EAST RENFREWSHIRE COUNCIL

Minute of meeting held at 5.00pm in the Council Chamber, Council Headquarters, Giffnock on 11 December 2024.

Present:

Councillor Andrew Anderson
Councillor Caroline Bamforth
Councillor Tony Buchanan
Deputy Provost Kate Campbell
Councillor Betty Cunningham (*)
Councillor Danny Devlin (*)
Councillor Paul Edlin
Councillor Annette Ireland
Councillor Chris Lunday
Councillor David Macdonald (*)
Councillor Jim McLean
Councillor Colm Merrick
Provost Mary Montague
Councillor Andrew Morrison (*)
Councillor Owen O'Donnell (Leader)
Councillor Katie Pragnell
Councillor Gordon Wallace

Provost Montague in the Chair

Attending:

Steven Quinn, Chief Executive; Caitriona McAuley, Director of Environment; Mark Ratter, Director of Education; Julie Murray, Chief Officer, Health and Social Care Partnership (HSCP); Kirsty Stanners, Head of Finance; Sharon Dick, Head of HR and Corporate Services; Mark Rodgers, Head of Environment (Housing and Property); Gerry Mahon, Chief Officer (Legal and Procurement); Barry Tudhope, Democratic Services Manager; Linda Hutchison, Senior Democratic Services Officer; Jennifer Greenshields, Chief Executive's Business Manager; and John Burke, Democratic Services Officer.

(*) indicates remote attendance.

DECLARATIONS OF INTEREST

1068 There were no declarations of interest intimated.

PROVOST'S AWARD – CITIZEN OF THE YEAR 2024

1069 Provost Montague announced that Stephen Byars had been named as East Renfrewshire's Citizen of the Year for his lifesaving work as the dedicated coordinator of the Neilston & Uplawmoor Community First Responder Group, where his voluntary work had spanned a decade. Having highlighted that he had been an integral part of the group since its inception, she referred to his role and commitment to ensuring public access defibrillators were readily available in the community. She also referred to his motivation and dedication to educating as many people in the local community as possible on potentially life-saving cardiopulmonary resuscitation (CPR) skills, and the impact of his work.

Mr Byars responded in appropriate terms, during which he highlighted the impact the Group and its volunteers had had in the community.

MINUTE OF PREVIOUS MEETING

1070 The Council considered and approved the Minute of the meeting held on 23 October 2024.

MINUTES OF MEETINGS OF COMMITTEES

1071 The Council considered and approved the Minutes of the meetings of the undernoted:-

(a) Cabinet – 24 October 2024;
(b) Appeals Committee – 29 October 2024;
(c) Appeals Committee – 29 October 2024;
(d) Special Planning Applications Committee – 31 October 2024;
(e) Appeals Committee – 6 November 2024;
(f) Appeals Committee – 6 November 2024;
(g) Cabinet – 7 November 2024;
(h) Education Committee – 14 November 2024;
(i) Cabinet – 21 November 2024;
(j) Audit & Scrutiny Committee – 21 November 2024;
(k) Planning Applications Committee – 27 November 2024;
(l) Cabinet (Police & Fire) – 28 November 2024; and
(m) Cabinet – 5 December 2024.

STATEMENT BY LEADER OF THE COUNCIL: EAST RENFREWSHIRE - A PLACE TO GROW

1072 Under reference to the Minute of the meeting of 11 September 2024 (Page 931, Item 939 refers), when it had been agreed to approve the ambitious strategic vision, East Renfrewshire - A Place to Grow as East Renfrewshire's Community Plan, Councillor O'Donnell reported that it had been adopted by the Community Planning Partnership Board. Having highlighted that it set out the shared hopes and aspirations for East Renfrewshire until 2040, he itemised its three pillars, confirming it had been shared with employees and publically on the Council's website and social media channels earlier in the week.

Councillor O'Donnell commented that the vision would be a key part of the conversation with residents about building a brighter future for everyone in East Renfrewshire, stressing the need for a vision for the area's long-term future which looked beyond short-term challenges and delivered on huge ambitions to achieve even more for residents. He clarified that there would be further community engagement events in the New Year, referring to joint working to be done to shape a brighter future for East Renfrewshire. He urged all Elected Members to continue to support A Place to Grow and share information on this with their constituents.

The Council noted the statement.

STATEMENTS BY CONVENERS AND REPRESENTATIVES ON JOINT BODIES AND COMMITTEES

The following statements were made:-

(a) **Councillor Anderson – Convener for Education, Culture and Leisure**

Councillor Anderson reported that a presentation to the most recent Education Committee meeting on local schools' performances in the Broad General Education and senior phase had demonstrated how children and young peoples' learning had flourished in terms of attainment, attendance, inclusion, engagement and participation. The Committee had been especially pleased about the exceptionally high primary literacy and numeracy performance and with strong Secondary 4, 5 and 6 results, with local schools consistently performing better than their virtual comparators. Having highlighted that Scottish Government statistics just published had demonstrated that East Renfrewshire continued to be the highest performing authority for literacy and numeracy (based on Primary 1 to Secondary 3), he paid tribute to the relentless efforts of staff and outstanding leadership in schools which continued to enable such high standards to be achieved.

Councillor Anderson commented that East Renfrewshire libraries had celebrated Book Week Scotland in November, welcoming audiences and writers who had participated in fun, interactive events, examples of which he cited.

He reported that issues discussed at the most recent East Renfrewshire Culture and Leisure Board meeting had included impressive performance in 2024 regarding library and community halls attendances; record numbers enrolled in community sports coaching programmes; and increased participation in Live Active and Vitality programmes. Having highlighted that box office receipts at Eastwood Theatre and gym and fitness memberships were at all-time highs, and cited the example of the 2024 pantomime which had broken the Theatre's box office record and exceeded its income target, Councillor Anderson congratulated the Trust on the results and strength of its performance.

(b) **Councillor Pragnell – Convener for Social Work and Health**

Councillor Pragnell reported that on 20 November the East Renfrewshire Integration Joint Board (IJB) had received an update on the revenue budget, the latest projected overspend for 2024/25 being £1.784m which was just over 1% of the HSCP's total budget. The projection by partner contribution showed an overspend of £2.497m against NHS funded activity, driven by prescribing costs which was to be discussed further at the next IJB seminar. Social care currently showed an underspend of £0.713m.

She reported that, taking account of the financial challenges faced, the IJB had submitted proposed changes to existing charges and the introduction of non-residential charging to the Cabinet on 5 December, consideration of which had been deferred to February 2025, pending the implications of the Scottish Government budget becoming clear.

Other issues discussed at the IJB meeting had been an update on the HSCP Strategic Plan for 2025-28 to be finalised by March following consultation; annual clinical care governance and care home assurance reports and related issues; and an update on the redesign within the Care at Home service to support growing demand, improve efficiency and achieve necessary cost reductions whilst maintaining quality of care. There was an expectation that the new practice model for Care at Home would be fully implemented by April 2025.

The Council noted the statements.

PROVOST'S ENGAGEMENTS

1073 The Council considered a report by the Director of Business Operations and Partnerships, providing details of civic engagements attended and civic duties performed by Provost Montague since the meeting on 23 October 2024.

The Council noted the report.

AUDIT AND SCRUTINY COMMITTEE – 21 NOVEMBER 2024 – INTERIM TREASURY MANAGEMENT REPORT FOR 2024/25 – QUARTER 2

1074 Under reference to the Minute of the meeting of the Audit and Scrutiny Committee of 21 November 2024 (Page 1022, Item 1047 refers), when it had been agreed to recommend to the Council that organisations for investment of surplus funds be approved, the Council considered a report by the Head of Finance (Chief Financial Officer) reporting on Treasury Management activities for the quarter ending 30 September 2024.

The Council, having heard Councillor Morrison comment that the position had changed very little since Quarter 1 other than to reflect the completion of the recent takeover of the Clydesdale and Virgin Money Bank by the Nationwide Group, agreed that the organisations for investment of surplus funds be approved in accordance with Appendix 8 to the report.

CABINET – 21 NOVEMBER 2024 – GENERAL FUND CAPITAL PROGRAMME

1075 Under reference to the Minute of the meeting of the Cabinet of 21 November 2024 (Page 1017, Item 1041 refers), when it had been agreed to recommend to the Council that proposed adjustments to the General Fund Capital Programme be approved, the Council considered a report by the Head of Finance (Chief Financial Officer) monitoring income and expenditure as at 30 September 2024 against the approved Programme and recommending adjustments to it where possible.

The Council:-

(a) approved and noted the movements within the 2024/25 Programme; and

(b) noted the shortfall of £0.053m and that income and expenditure on the Programme would be managed and reported on a regular basis.

CABINET – 21 NOVEMBER 2024 – HOUSING CAPITAL PROGRAMME

1076 Under reference to the Minute of the meeting of the Cabinet of 21 November 2024 (Page 1018, Item 1042 refers), when it had been agreed to recommend to the Council that proposed adjustments to the Housing Capital Programme be approved, the Council considered a report by the Head of Finance (Chief Financial Officer) monitoring income and expenditure as at 30 September 2024 against the approved Programme and recommending adjustments to it where required.

The Council:-

(a) approved and noted the movements within the Programme; and

(b) noted the shortfall of £0.121m and that income and expenditure on the Programme would be managed and reported on a regular basis.

COMMUNITY SAFETY 24/7 RESPONSE CENTRE AND OVERLEE HOUSE UPGRADES

1077 The Council considered a joint report by the Director of Business Partnerships and Operations and Director Environment providing an update on property projects regarding the Community Safety 24/7 Response Centre environment, and aimed at increasing capacity at Overlee House.

The report referred to the need for additional capital resourcing for each project, clarifying that the upgrading of the Response Centre and enhancing the capacity of Overlee House had been long-held ambitions. Since funds for the projects had been approved initially, both projects had been impacted by changes in legislative requirements and significant cost increases. Upgrading the facilities within the Response Centre would enhance capacity to deliver critical safety interventions, such as telecare, whilst providing adequate facilities for staff to discharge their duties safely and effectively. Enhancing capacity at Overlee House would, not only reduce reliance on hotel and bed and breakfast (B&B) accommodation, but also be critical considering the unprecedented homelessness crisis facing East Renfrewshire. It was considered likely that costs for both projects would increase further if they had to be revisited in future years.

In response to Councillor Bamforth, the Director of Environment confirmed that the proposed financial provision for Overlee House was separate from the £1m approved previously for housing acquisitions to address the housing emergency declared by the Council. In reply to Councillor Ireland, the Head of Environment (Housing and Property) clarified the accommodation it was intended to build, that the properties should be ready to hand over around December 2025, the current status of the contract which provided greater certainty on costs, and that the next stage would be the appointment of a contractor. In response to comments and queries raised by Councillor Wallace, he referred to the prioritisation of cases for housing, explained that single people were those most likely to remain in B&B accommodation taking account of risk assessments, and reported on the recovery of costs from the Scottish Government.

The Council approved an increase of:-

(a) £61k to the existing budget within the Capital Programme for the refurbishment of the Community Safety Response Centre project; and

(b) £297k to the existing budget within the Capital Programme for the Overlee House project.

EASTWOOD HEADQUARTERS REFURBISHMENT – UPDATE

1078 Under reference to the Minute of the meeting of 13 December 2023 (Page 707, Item 694 refers) when proposals regarding modernisation works at Eastwood Headquarters, Giffnock had been approved, the Council considered a report by the Director of Environment providing an update on the project.

It was clarified that the structure of the building was sound, but that much of its core infrastructure was obsolete, life expired and/or in an unsatisfactory condition, creating a threat to business continuity or service provision if left unmanaged and requiring the building to be upgraded to extend its useful life. The report commented on a range of related issues, including employee welfare facilities in the building, the planned relocation of staff from Spiersbridge to the building and related implications.

Having referred to updated cost projections following an invasive survey and other developments and opportunities identified, the report clarified that to deliver fully the originally desired outcomes would require the approved budget of £4.86m to increase to £7.20m. Against this background, 4 options for proceeding were summarised together with the related budgetary requirements of each, the recommended course of action being to approve Option 4 which involved a reduced schedule of works and aimed to reach a reasonable compromise between outcomes and available resource. Whilst Option 4 would incur a significant increase in budget of £1.30m, that investment remained £1.04m below the increased cost of delivering the whole project as originally envisaged. It would deliver many originally envisaged benefits and a revenue costs saving, extend the life of the building for at least 20 years, and much improve the working environment for the increased number of staff to be based in the building.

Subject to approval of the proposal, it was estimated that work would start on site during the summer of 2025 and be completed in early 2026. The programme would be subject to final agreement on designs and any works additionally discovered upon commencement on site. Further updates would be provided to the Governance Board, Corporate Management Team and Elected Members periodically on progress and issues of interest.

Councillor Ireland referred to concerns she had expressed previously on costs, acknowledged the need for some work to be done, but confirmed she held concerns regarding the proposed increased expenditure when other projects were not proceeding. She welcomed clarification provided on the reduced work to be done on the Council Chamber, and also that updates to Elected Members were to be provided moving forward. In response to issues raised by her, the Head of Environment (Housing and Property) confirmed that Hub West Scotland would be involved in the project and, regarding the £0.6m contingency provision for the project, highlighted that the project costs were now more certain than at the end of 2023, given the current stage of the project.

In reply to Councillor Bamforth, the Chief Executive confirmed that approval of Option 4 would allow infrastructure work on the Council Chamber to be completed. Subsequently, it would be for the full Council to decide if further cosmetic work on it was to be done, if it wished, at some stage in future. Councillor Ireland highlighted that an original aim had been to develop the Chamber into a more flexible space that could be used more.

Councillor Wallace highlighted that, as for some other projects, the costs had increased from those anticipated and approved originally. In response to him, Councillor O'Donnell referred to the project's complexity, the age of the building and its current infrastructure on which there had been underinvestment, potential unknowns, and related challenges of managing such issues without allocating an unacceptable level of contingency to the project. He highlighted that, in contrast to what would be considered acceptable in the public sector, it was common for changes to be made to such projects in the private sector, but also for more funds to be invested in maintaining buildings in that sector on an ongoing basis.

Having heard the Chief Executive confirm that issues raised on the condition of the building had been accepted, the Head of Environment (Housing and Property) provided an update on work now underway in terms of the Capital Strategy to address such issues going forward. Amongst other things, he referred to the need to be more up front on potential costs, expressed the view that the costs approved for this project had been optimistic, and highlighted that no guarantees could be given on costs until the latter stages of projects. He also commented on the importance of controlling issues which were under the Council's control, issues such as inflation and market conditions being out with those.

Further in response to Councillor Wallace, the Director of Environment confirmed that the costs specified in the report for Option 1 were for delivering the original project. Councillor Wallace highlighted various issues, including the almost unanimous support for proceeding with this option in December 2023, the lack of progress on making the building fit for purpose, and concerns he held that the project costs could change again. He suggested that a further option was to proceed with Option 1, but to develop funding proposals which could include using financial resources available to the Council following a reduction in employer contributions to the Strathclyde Pension Fund and take account of any overall budgetary underspend by the Council for the current financial year. Councillor Morrison expressed support for this approach, commenting on a range of matters, including the issues identified through the detailed survey and lack of space within the building at present for collaboration.

In response to Councillor Edlin who proposed some form of inquiry on the project, the Chief Executive stressed that it was not uncommon for project costs to exceed those approved initially. Supported by the Head of Environment (Housing and Property), he emphasised that the professionalism of officers involved in the project thus far was not being questioned.

Whilst commenting on the proposals within the report, Councillor Buchanan expressed support for Option 4, taking account of a range of issues, including the outcome of the detailed survey and importance of bringing the infrastructure of the building up to standard.

Adjournment

The Provost adjourned the meeting for a short period to allow some discussion amongst the Group Leaders to take place on the way forward, taking account of issues raised during discussion.

On the reconvening of the Council, Councillor O'Donnell confirmed that all of the political Group Leaders shared disappointment that the original vision could not be delivered, acknowledged the issues raised by Councillor Wallace which were considered fair, and referred to political alignment on the importance of delivering a good working environment for staff. He added that support had been expressed for approving Option 4.

The Council:-

(a) approved increasing the Eastwood Headquarters refurbishment budget allocation by £1.3m to £6.16m;

(b) approved the reduced scope of the works as set out in Option 4, and described in paragraphs 19, 20 and 21, of the report; and

(c) agreed that the refurbishment works at Eastwood Headquarters proceed.

HEALTH AND SOCIAL CARE PARTNERSHIP CHIEF OFFICER RECRUITMENT

1079 The Council considered a report by the Director of Business Operations and Partnerships informing the Council that the Chief Officer, Health and Social Care Partnership had intimated that she would retire from mid-May, and confirming that her successor would be appointed by the Integration Joint Board which had agreed to establish an Appointments Panel to progress this.

Having provided further details on how the recruitment was to be progressed, the report outlined arrangements put in place to ensure continuity and stability within the HSCP should a successor not be in place by May 2025.

The Council noted:-

(a) the retirement of the Chief Officer, HSCP with effect from mid-May 2025; and

(b) that the Integration Joint Board was responsible for the recruitment of the Chief Officer, HSCP post.

PROVOST

Item remitted to Council from Audit & Scrutiny Committee held on 23 January 2025.

AGENDA ITEM No. 5 (a)

EAST RENFREWSHIRE COUNCIL

AUDIT & SCRUTINY COMMITTEE

23 January 2025

Report by Head of Finance (Chief Financial Officer)

INTERIM (QUARTER 3) TREASURY MANAGEMENT REPORT FOR 2024/25

PURPOSE OF REPORT

1. To advise the Audit & Scrutiny Committee on the Treasury Management activities for the period ending 30 November 2024.

RECOMMENDATION

2. It is recommended that the Committee:

- note the Interim Treasury Management Report for Quarter 3 2024/25; and
- recommend to the Council that the attached organisations for investment of surplus funds be approved.

BACKGROUND

3. In line with the CIPFA Code of Practice on Treasury Management, the Audit & Scrutiny Committee is responsible for ensuring effective inspection of treasury management activities and this report is submitted in accordance with this requirement.

SUMMARY

4. Overall, the report demonstrates a well-managed treasury function within the Council. The average interest rate on long-term borrowing has reduced slightly from that reported in November. The Council continues to adopt a prudent approach to treasury management and, in particular, highlights the 6.13% of loans held as at 30 November 2024 that had variable interest rates, which is well below the Council's approved upper limit of 15%. The resulting stability in borrowing assists the Council in responding to the current national economic pressures.

RECOMMENDATION

5. It is recommended that the Committee:

- note the Interim Treasury Management Report for Quarter 3 2024/25; and
- recommend to the Council that the attached organisations for investment of surplus funds be approved.

REPORT AUTHOR

Head of Finance (Chief Financial Officer):	Kirsty Stanners
Chief Accountant:	Barbara Clark
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Report Date:	12 December 2024

EAST RENFREWSHIRE COUNCIL **Appendix 1**

INTERIM TREASURY MANAGEMENT REPORT QUARTER 3 2024/25

Table 1

1. Actual External Debt

	Borrowing 01/10/24 £M	Average Interest %	Borrowing 30/11/24 £M	Average Interest %	Change in Qtr £M
<u>Long Term Borrowing</u>					
Public Works Loan Board	112.49	3.29	137.48	3.54	24.99
Local Authority Bonds	14.40	4.60	14.40	4.60	0.00
PFI / PPP Finance Leases	68.13	7.17	68.13	7.17	0.00
Total Long Term	**195.02**	**4.74**	**220.01**	**4.73**	**24.99**
<u>Net Short Term Investments/Borrowing</u>					
Temporary Investments/Borrowing	**(25.63)**	**5.07**	**(38.13)**	**4.78**	**(12.50)**

NOTES

(i) For the purposes of this report, long-term borrowing means loans taken on a long-term basis. This differs from the Annual Accounts, which have to categorise long-term loans with less than a year until repayment as short-term loans. Loans above totalling £0.003 million come into this category.

(ii) The Treasury Strategy approved by the Council on 28 February 2024, ratified external borrowing of £62m from the Public Works Loan. During the last quarter £25m borrowing from Public Works Loan Board (PWLB) has been undertaken.

(iii) There has been a slight reduction to the average interest rate on long-term borrowing from that reported previously.

(iv) The Council's net external borrowing position has increased in total by £12.49 million during the quarter due to both revenue and capital cash flows.

(v) The Council's activity in the temporary investments market is shown along with the corresponding interest rate movements in Appendices 2 – 5. In response to difficulties in the financial markets and as part of a risk managed process designed to protect the principal of the sums invested, the maximum period of investment was restricted to 6 months.

(vi) As at 30 November 2024, the Council had 6.13% of its total debt outstanding in variable rate loans. For the Council to gain a high level of stability in overall borrowing costs, the Council's Treasury Policy Statement requires the exposure to variable rate loans to be less than 15% of the total debt outstanding.

(vii) Appendix 6 shows the Bank of England MPC base rate covering the period April 2022 to the date of this report.

2. PWLB

The primary source of medium/long term borrowing is from the UK Government through the PWLB. The PWLB provides loans to local authorities at rates, which are in general more attractive than loans available from other sources.

3. DEBT MATURITY PROFILE

The Council's debt maturity profile at 30 November 2024 is shown both below and in Graph format at Appendix 7.

It is a requirement of the Council's Treasury Policy Statement that the maximum amount of long-term debt maturing in any one year should be no more than 15% of the Council's long-term debt outstanding, at the time of borrowing.

The Council's Debt Maturity Profile as at 30 November 2024 was within the agreed limits.

Long Term Debt Maturity Profile as at 30 November 2024

	PWLB	Local Authority Bond	Total	
	£M	£M	£M	%
24/25	0.00	0.00	0.00	0.00
25/26	0.00	0.00	0.00	0.00
26/27	5.01	0.00	5.01	3.30
27/28	2.01	0.00	2.01	1.32
28/29	10.00	0.00	10.00	6.58
29/30	15.00	0.00	15.00	9.88
30/31	0.00	0.00	0.00	0.00
31/32	0.00	0.00	0.00	0.00
32/33	0.00	0.00	0.00	0.00
33/34	0.00	0.00	0.00	0.00
After 2034/35	105.46	14.40	119.86	78.92
Total	**137.48**	**14.40**	**151.88**	**100.00**

4. PRUDENTIAL INDICATORS

In line with the agreed monitoring arrangements for the Prudential Indicators, listed below there is a table showing all the prudential indicators comparing the approved indicator, as reported to the Council on 28 February 2024 along with the projected outturn figures recorded at 30 June 2024, 30 September 2024 and 30 November 2024, demonstrating that the Council is operating well within the limits set.

Prudential Indicator	Approved indicator £'000s	Projected Outturn @ 30/06/24 £'000s	Projected Outturn @ 30/09/24 £'000s	Projected Outturn @ 30/11/24 £'000s
Capital Expenditure	75,740	77,738	77,657	74,588
Comment	Movement from the projected outturn at 30 September is due to the revised planning of capital projects within both the Housing and General Fund Capital Programmes, moving capital spend from the current to the following financial year.			
Capital Financing Requirement (CFR)	312,313	296,331	294,569	288,010
Comment	Movement from the projected outturn at 30 September is due to the revised planning of capital projects within both the Housing and General Fund Capital Programmes, moving capital spend from the current to the following financial year.			
Operational Boundary for External Debt	317,144	301,163	299,400	292,842
Comment	Movement from the projected outturn as 30 September is due to a reduction in permitted borrowing from that last reported due to a reduction in capital spend in the current year.			
Authorised Limit For External Debt	354,496	336,116	334,090	326,548
Comment	In addition to the variance explanation for the Operational Boundary for External Debt above, the Authorised limit for External Debt also includes a further allowance to cover any unexpected temporary movements.			
Gross Debt	262,188	237,688	237,688	237,688
Comment	There is no movement from the position as at 30 September.			

Gross Debt to CFR (Under) / Over	(50,125)	(58,643)	(56,881)	(50,322)
Comment	Movement from the projected outturn at 30 September is as a result of a reduction in net capital expenditure in the current year.			
Financing to Net Revenue Stream Non – HRA HRA	 6.3% 35.1%	 5.9% 35.0%	 5.9% 35.3%	 5.9% 35.4%
Comment	Movements from the projected outturn at 30 September relates to a review of the anticipated HRA income and loan charges in the current year since that last reported.			
HRA - Ratio of Debt to Revenue	334.8%	324.0%	326.2%	324.6%
Comment	Movement from the projected outturn at 30 September relates mainly to the revised planning of capital projects within the Housing Capital Programme, moving capital spend from the current to the following financial year.			
HRA – Debt Per Dwelling £	16,891	16,575	16,080	16,032
Comment	Movement from the projected outturn at 30 September relates mainly to the revised planning of capital projects within the Housing Capital Programme, moving capital spend from the current to the following financial year.			
Code of Practice For Treasury Management	The Council has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. All of the approved activities within the Council Treasury Management Policy Statement have been complied with.			

The movement between the Capital Financing Requirement and the Gross Debt indicates the amount of internal borrowing required. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded by external loan debt as the cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy remains both prudent and cost effective as borrowing costs are currently relatively high and the Head of Finance has requested that borrowing, where possible, is not undertaken until interest rates come down from their current level.

	Approved Indicator £'000s	Projected Outturn @ 30/06/24 £'000s	Projected Outturn @ 30/09/24 £'000s	Projected Outturn @ 30/11/24 £'000s
Capital Financing Requirement	£312,313	£296,331	£294,569	£288,010
Gross Debt	£262,188	£237,688	£237,688	£237,688
Internal Borrowing Required	£50,125	£58,643	£56,881	£50,322

5. DEBT PERFORMANCE INDICATOR

The Treasury Strategy sets out the following debt performance indicator:

i) Average "pool rate" compared to Scottish average:
This information is only available after the year end.

.

6. LIABILITY BENCHMARK

The Council is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum. It is a projection of the amount of loan debt outstanding that the Council needs to fund its existing debt liabilities, planned prudential borrowing and other cashflows.

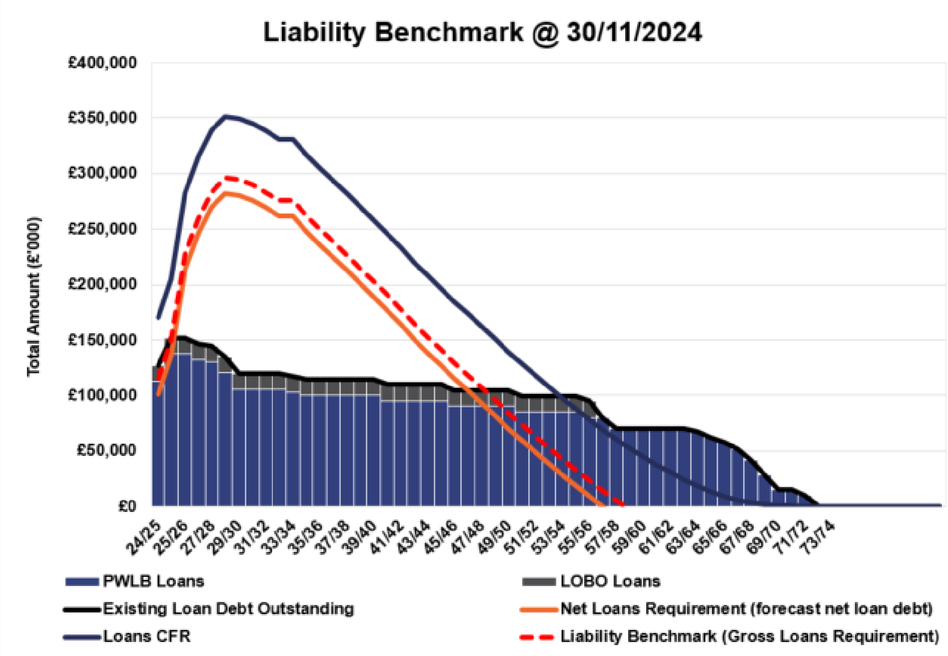
There are four components to the LB: -

1. **Existing loan debt outstanding**: the Authority's existing loans that are still outstanding in future years.

2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Loans Fund principal repayments.

3. **Net loans requirement**: this shows the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned Loans Fund principal repayments and any other major cash flows forecast.

4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.



7. APPROVED ORGANISATIONS FOR INVESTMENT

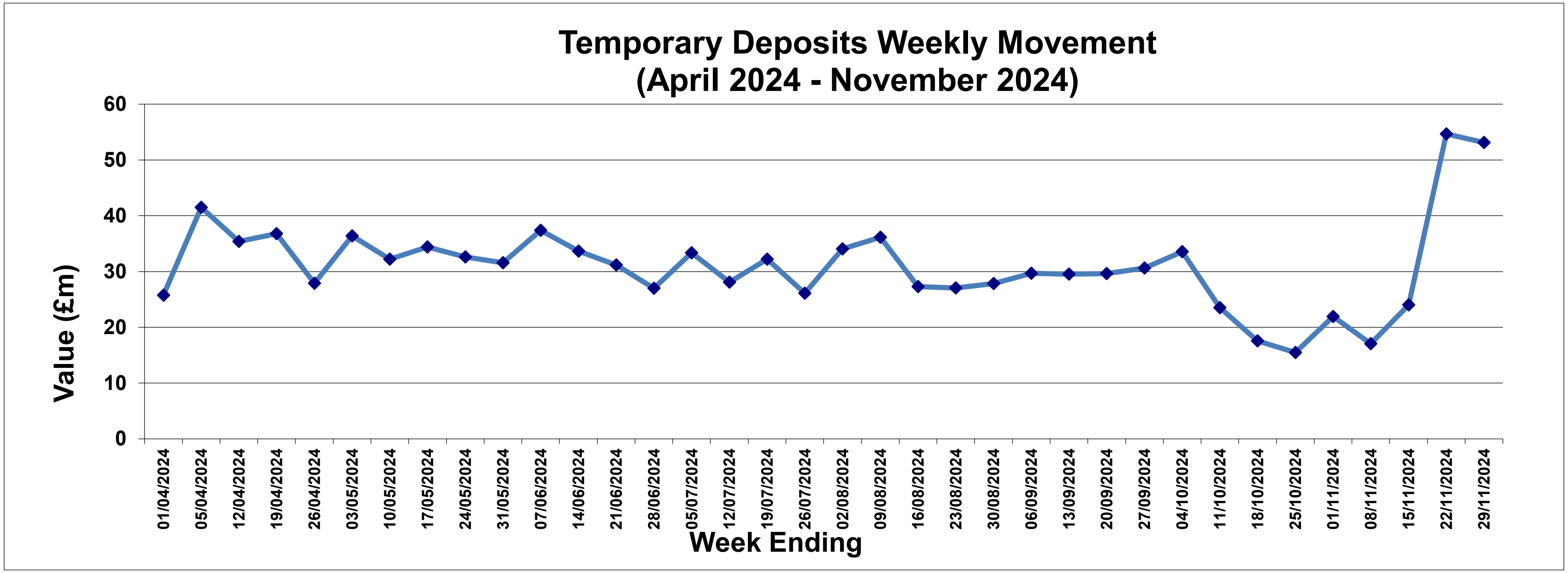
In line with normal practice, the status of all Banks and Building Societies has been reviewed in order to amend the current list of approved organisations for investment (see appendix 8). No changes have been made since that last reported on 21 November 2024. All lending is in line with the permitted methods of investment, which were approved by Council on 28 February 2024 as part of the Treasury Management Strategy report.

As a result of the banking crisis and in line with prudent financial management, investments have been restricted to UK organisations with high credit ratings. Also, the maximum period of investment was restricted to 6 months, in line with advice from our Treasury Advisers, Link Asset Services. These measures have been taken as part of a risk managed process designed to protect the principal of the sums invested.

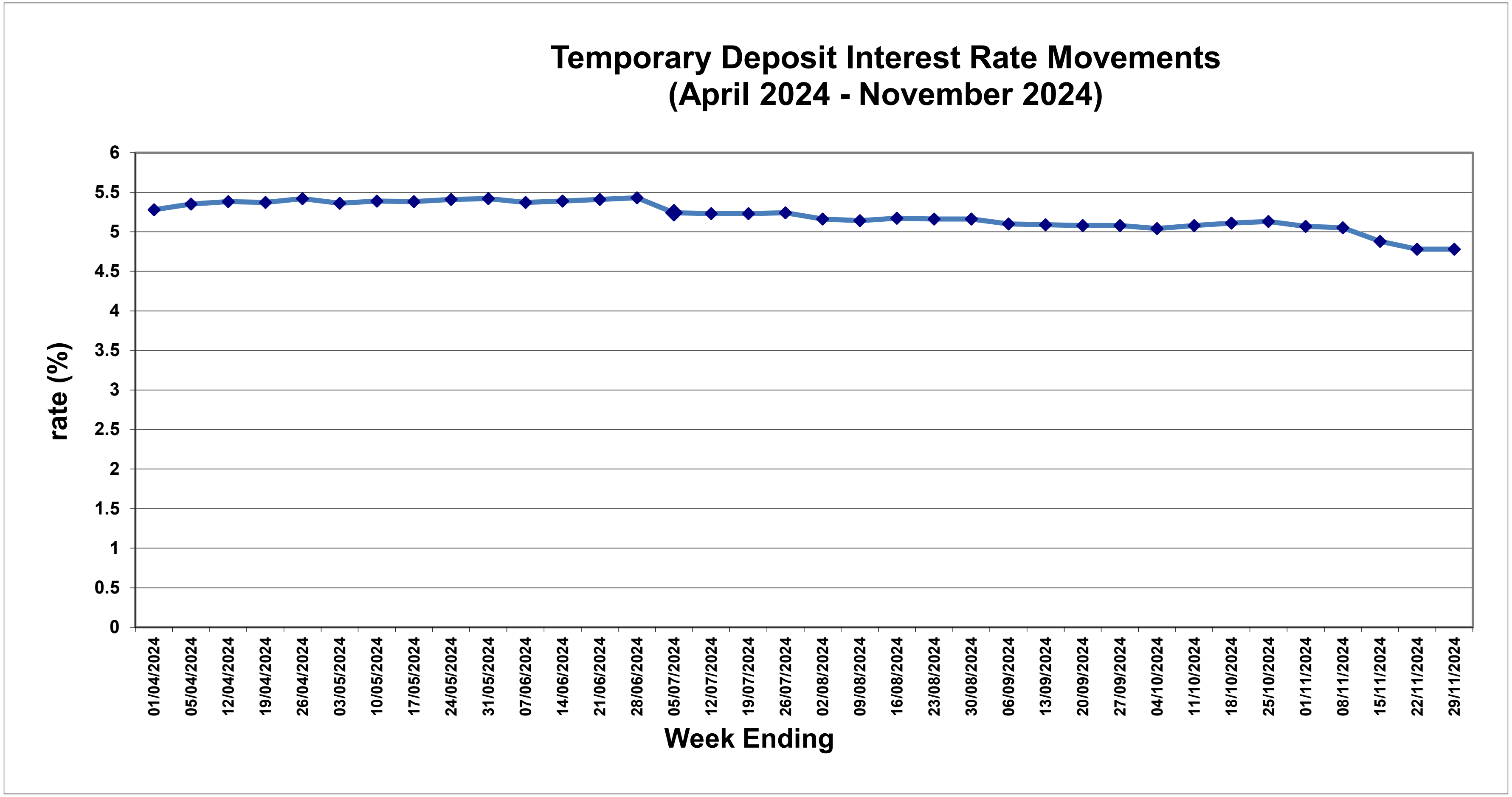
Credit ratings of organisations on the counter-party list are subject to continuous monitoring and review to ensure that subject to available professional advice, approved organisations remain sound for investment purposes.

8. TREASURY MANAGEMENT RISK

Within the Operational Risk Register for Accountancy Services there is a risk listed that highlights the difficulty in obtaining sufficient institutions, that meet the Council's criteria, to invest surplus funds with. To minimise this risk, the Council has six Money Market Funds which provide highly diversified investments.

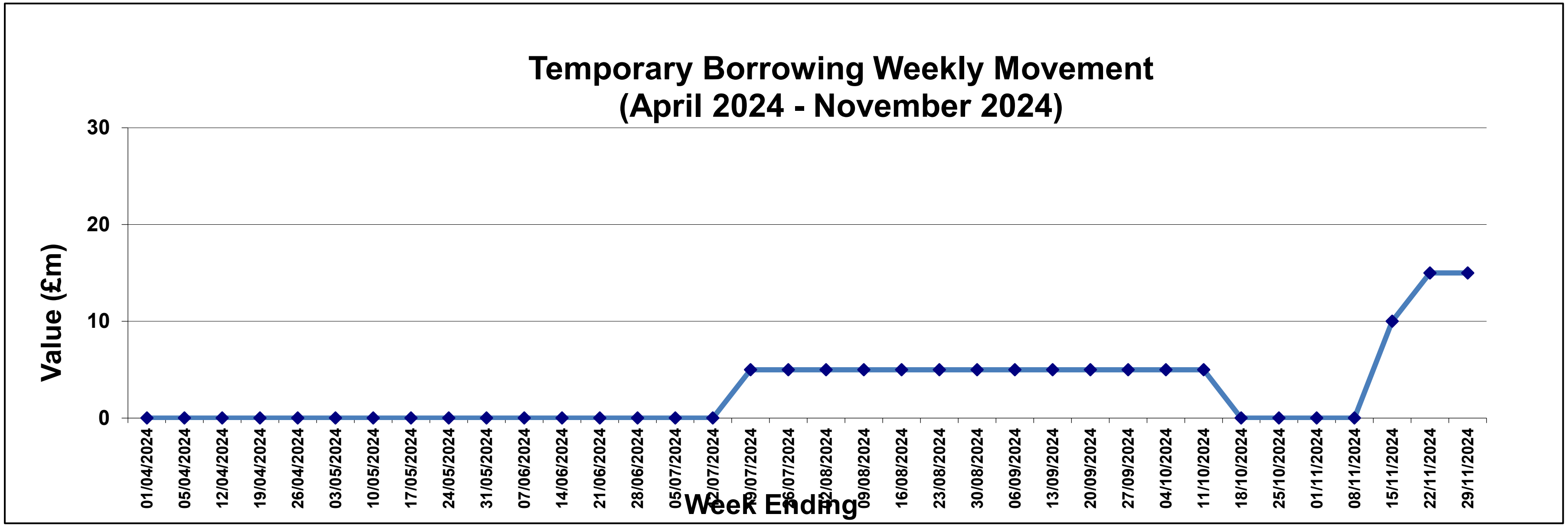

Temporary Deposits Weekly Movement
(April 2024 - November 2024)
Value (£m)
60
50
40
30
20
10
0
01/04/2024
05/04/2024
12/04/2024
19/04/2024
26/04/2024
03/05/2024
10/05/2024
17/05/2024
24/05/2024
31/05/2024
07/06/2024
14/06/2024
21/06/2024
28/06/2024
05/07/2024
12/07/2024
19/07/2024
26/07/2024
02/08/2024
09/08/2024
16/08/2024
23/08/2024
30/08/2024
06/09/2024
13/09/2024
20/09/2024
27/09/2024
04/10/2024
11/10/2024
18/10/2024
25/10/2024
01/11/2024
08/11/2024
15/11/2024
22/11/2024
29/11/2024
Week Ending

Appendix 3

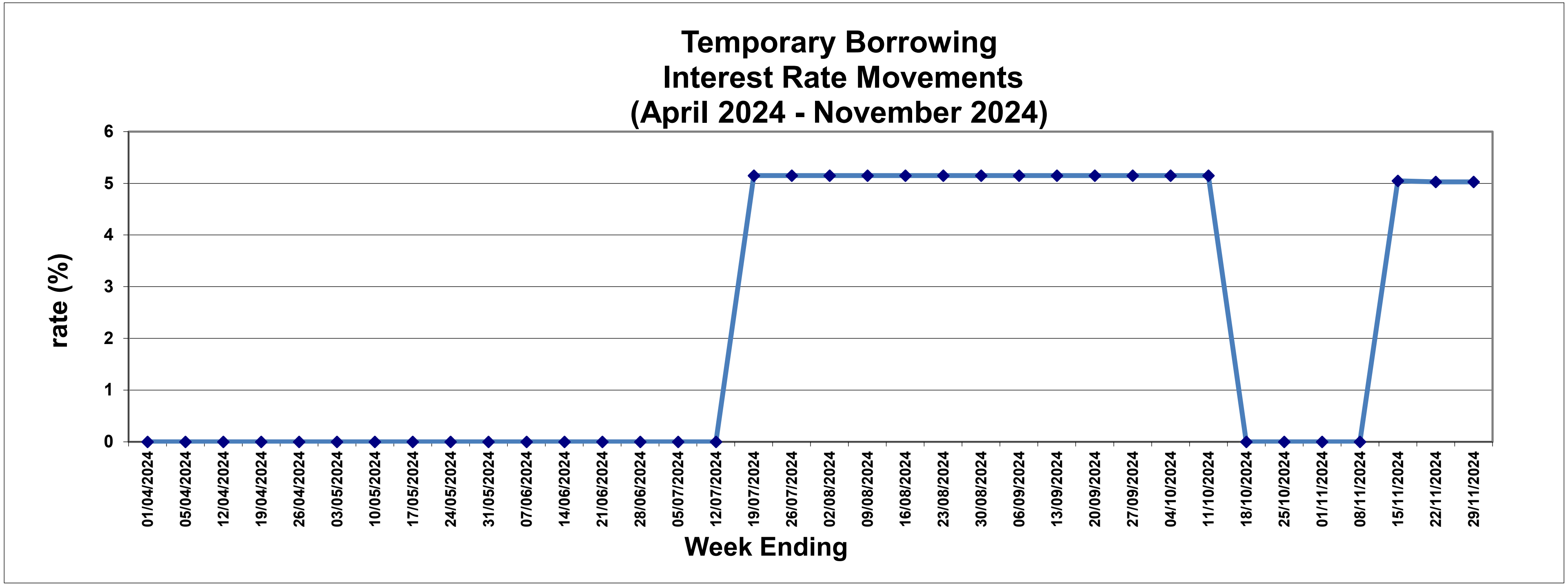


Temporary Deposit Interest Rate Movements
(April 2024 - November 2024)
rate (%)
6
5.5
5
4.5
4
3.5
3
2.5
2
1.5
1
0.5
0
01/04/2024
05/04/2024
12/04/2024
19/04/2024
26/04/2024
03/05/2024
10/05/2024
17/05/2024
24/05/2024
31/05/2024
07/06/2024
14/06/2024
21/06/2024
28/06/2024
05/07/2024
12/07/2024
19/07/2024
26/07/2024
02/08/2024
09/08/2024
16/08/2024
23/08/2024
30/08/2024
06/09/2024
13/09/2024
20/09/2024
27/09/2024
04/10/2024
11/10/2024
18/10/2024
25/10/2024
01/11/2024
08/11/2024
15/11/2024
22/11/2024
29/11/2024
Week Ending

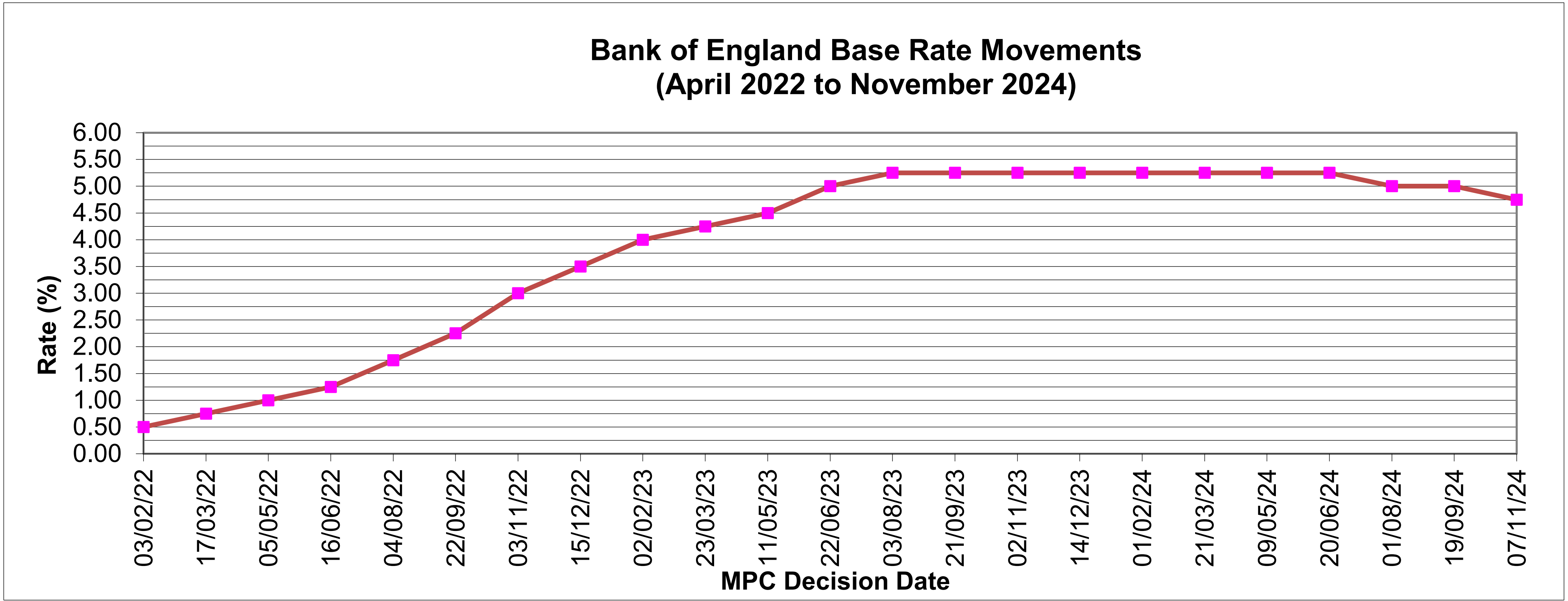
Appendix 4



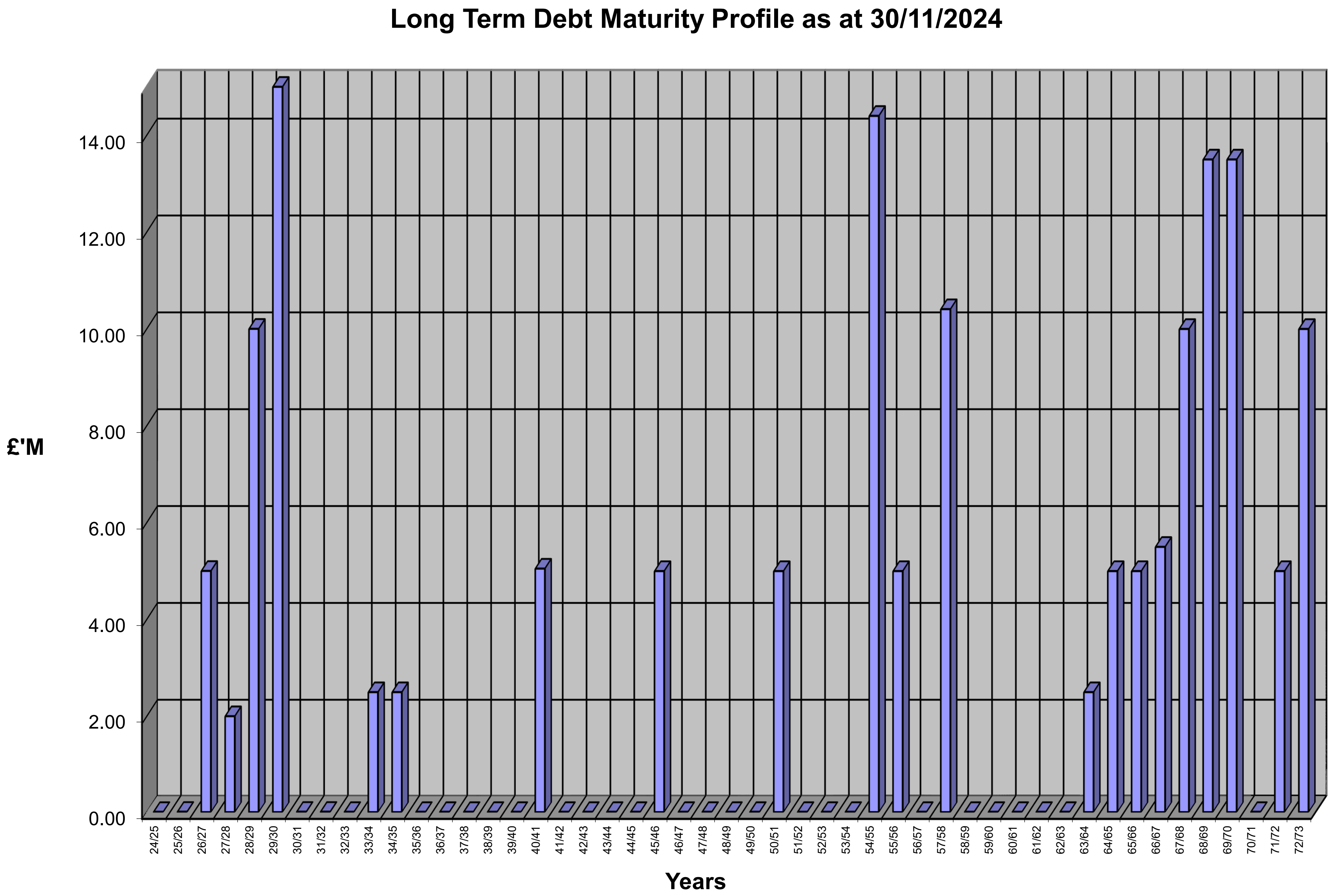
Temporary Borrowing Weekly Movement
(April 2024 - November 2024)
Value (£m)
30
20
10
0
Week Ending
01/04/2024
05/04/2024
12/04/2024
19/04/2024
26/04/2024
03/05/2024
10/05/2024
17/05/2024
24/05/2024
31/05/2024
07/06/2024
14/06/2024
21/06/2024
28/06/2024
05/07/2024
09/08/2024
16/08/2024
23/08/2024
30/08/2024
06/09/2024
13/09/2024
20/09/2024
27/09/2024
04/10/2024
11/10/2024
18/10/2024
25/10/2024
01/11/2024
08/11/2024
15/11/2024
22/11/2024
29/11/2024


Temporary Borrowing
Interest Rate Movements
(April 2024 - November 2024)
rate (%)
0
1
2
3
4
5
6
01/04/2024
05/04/2024
12/04/2024
19/04/2024
26/04/2024
03/05/2024
10/05/2024
17/05/2024
24/05/2024
31/05/2024
07/06/2024
14/06/2024
21/06/2024
28/06/2024
05/07/2024
12/07/2024
19/07/2024
26/07/2024
02/08/2024
09/08/2024
16/08/2024
23/08/2024
30/08/2024
06/09/2024
13/09/2024
20/09/2024
27/09/2024
04/10/2024
11/10/2024
18/10/2024
25/10/2024
01/11/2024
08/11/2024
15/11/2024
22/11/2024
29/11/2024
Week Ending

Appendix 6


Bank of England Base Rate Movements
(April 2022 to November 2024)
Rate (%)
6.00
5.50
5.00
4.50
4.00
3.50
3.00
2.50
2.00
1.50
1.00
0.50
0.00
03/02/22
17/03/22
05/05/22
16/06/22
04/08/22
22/09/22
03/11/22
15/12/22
02/02/23
23/03/23
11/05/23
22/06/23
03/08/23
21/09/23
02/11/23
14/12/23
01/02/24
21/03/24
09/05/24
20/06/24
01/08/24
19/09/24
07/11/24
MPC Decision Date

Appendix 7


Long Term Debt Maturity Profile as at 30/11/2024
£'M
14.00
12.00
10.00
8.00
6.00
4.00
2.00
0.00
24/25
25/26
26/27
27/28
28/29
29/30
30/31
31/32
32/33
33/34
34/35
35/36
36/37
37/38
38/39
39/40
40/41
41/42
42/43
43/44
44/45
45/46
46/47
47/48
48/49
49/50
50/51
51/52
52/53
53/54
54/55
55/56
56/57
57/58
58/59
59/60
60/61
61/62
62/63
63/64
64/65
65/66
66/67
67/68
68/69
69/70
70/71
71/72
72/73
Years

Appendix 8

EAST RENFREWSHIRE COUNCIL
ORGANISATIONS APPROVED FOR THE INVESTMENT OF SURPLUS FUNDS

Banking Group	Individual Counterparty	Limits Deposit	Limits Transaction
Bank of England	Debt Management Office	£30m	£10m
	UK Treasury Bills	£5m	£5m
Barclays Banking Group	Barclays Bank plc	£5m	£5m
Goldman Sachs International Bank		£10m	£10m
Lloyds Banking Group:	Bank of Scotland plc	£5m	£5m
	Lloyds Bank Corporate Mkt (NRF)	£5m	£5m
Royal Bank of Scotland Group:	Royal Bank of Scotland plc National Westminster Bank	£5m	£5m
Santander Group	Santander UK plc	£10m	£10m
Standard Chartered Bank		£10m	£10m
Building Societies			
Nationwide Group	Nationwide Building Society	£5m	£5m
	Virgin Money (Clydesdale)	£5m	£5m
Local Authorities			
All Local Authorities including Police & Fire		£5m	£5m

Money Market Funds and Ultra-Short Dated Bond funds

	Deposit	Transaction
Maximum limit of £10m per fund	£60m	£10m

Credit Ratings

	Fitch LT	Fitch ST	Moodys LT	Moodys ST	S&P LT	S&P ST
Minimum Criteria	A-	F1	A3	P-1/P-2	A	A-1/A-2

(unless Government backed)
(please note credit ratings are not the sole method of selecting counterparty)

Limit

Investment of surplus funds is permitted in each of the above organisations, limits can only be exceeded or another organisation approved with written permission of the Chief Financial Officer.

Deposit Periods

The maximum period for any deposit is based on the Link Asset Services suggested duration matrix, with a maximum of 6 months. These limits can only be exceeded with the written permission of the Chief Financial Officer.

Hub scheme deposit periods are dependent on the lifetime of the associated scheme.

Item remitted to Council from Audit & Scrutiny Committee held on 20 February 2025.

EAST RENFREWSHIRE COUNCIL

AGENDA ITEM No. 5(b)

AUDIT AND SCRUTINY COMMITTEE

20 February 2025

Report by Head of Finance (Chief Financial Officer)

Treasury Management Strategy Report for 2025/26

PURPOSE OF REPORT

1. To advise the Audit and Scrutiny Committee on the Treasury Management Strategy for the financial year 2025/26.

RECOMMENDATIONS

2. It is recommended that Members:

- consider the content of the Treasury Management Strategy Report for 2025/26;
- recommend to the Council that the Treasury Management Strategy for 2025/26 be approved, including the Prudential and Treasury Indicators and the amended list of organisations for investment of surplus funds (Annex E);
- recommend to the Council that they approve the policy on the repayment of loans fund advances (see section 3.4); and
- recommend to the Council the forms of investment Instruments for use as permitted investments (Annex C).

BACKGROUND

3. In line with the CIPFA Treasury Management Code of Practice 2021, the Audit and Scrutiny Committee is responsible for ensuring effective scrutiny of the treasury management strategy and policies.

4. The attached Treasury Management Strategy Report for the financial year 2025/26 is submitted in accordance with this requirement. Figures contained in the report have been compiled on the basis of the latest available information.

TREASURY MANAGEMENT STRATEGY FOR 2025/26

5. The Treasury Management Strategy for 2025/26 is attached (see Appendix 1).

EQUALITY IMPACT

6. A screening exercise has revealed that the Treasury Management Strategy has no direct relevance to the Council's equality duties.

Report Author

Head of Finance (Chief Financial Officer):	Kirsty Stanners
Chief Accountant:	Barbara Clark
Telephone Number:	0141 577 3068
E-mail:	barbara.clark@eastrenfrewshire.gov.uk
Report Date:	27 January 2025

APPENDIX 1

EAST RENFREWSHIRE COUNCIL

TREASURY MANAGEMENT STRATEGY 2025/26

CONTENTS

1 Background

The Council is required to operate a balanced budget, which broadly means that cash received during the year will meet cash expenditure. A major aspect of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, ensuring adequate liquidity before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, being essentially longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2 Reporting Requirements

2.1 The Council is required to receive and approve, as a minimum, six reports on treasury activity each year, which incorporate a variety of policies as well as estimated and actual figures. These reports are as follows:-

a) **Treasury Management Strategy 2025/26** (this report).

This report is the most important of the six reports and covers:

- the capital plans of the Council (including prudential indicators)
- a policy on statutory repayment of loans fund advances (how residual capital expenditure is charged to revenue over time)
- the Treasury Management Strategy (how the investments and borrowings are organised) including treasury indicators, and
- an Annual Investment Strategy (the parameters on how investments are to be managed).

b) **Quarterly Interim Treasury Management Reports** – These are primarily four progress reports and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c) **Annual Treasury Report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimate within the strategy.

2.2 Scrutiny

These reports are required to be adequately scrutinised by committee before being recommended to the Council. This role is undertaken by the Audit and Scrutiny Committee.

2.3 Capital Investment Strategy

The CIPFA revised 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital investment strategy report, which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability.

The aim of this capital investment strategy is to ensure that all elected members fully understand the overall long term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. Council approved the current Capital Investment Strategy on 28 February 2024.

2.4 Treasury Management Strategy for 2025/26

The treasury management issues covered by this report are:

Capital Issues

- The capital expenditure plans and associated prudential indicators; and
- The policy for the statutory repayment on loans fund advances

Treasury management issues

- The current treasury position
- Treasury indicators which will limit the treasury risk and activities of the Council
- Prospects for interest rates
- The borrowing strategy
- Policy on borrowing in advance of need
- Debt rescheduling
- The Annual Investment Strategy; and
- Credit Worthiness Policy

These elements cover the requirements of the Local Government in Scotland Act 2003, the CIPFA Prudential Code (the Prudential Code), the CIPFA Treasury Management Code and Scottish Government Investment Regulations.

2.5 Treasury Management Consultants

The Council uses MUFG Corporate Markets (previously Link Group, Treasury Services Ltd) as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that it does not rely solely upon information and advice from its treasury advisors.

It also recognises, however, that there is value in employing external providers of treasury management services in order to gain access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2.6 Council and Subsidiary Organisations

The Treasury Management Strategy covers the treasury management activities for the Council (including any subsidiary organisations i.e. East Renfrewshire Culture & Leisure Trust).

3 The Capital Prudential Indicators 2025/26 – 2029/30

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members to provide scrutiny and oversight, and confirm that capital expenditure plans are prudent, affordable and sustainable.

A summary of the indicators can be found in Annex A.

3.1 Capital Expenditure (Prudential Indicator PI-1)

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously and those forming part of this budget cycle. The indicator also includes expenditure financed by PFI and lease type arrangements which, for the purposes of financial planning and reporting, must be treated as capital expenditure.

The following capital expenditure forecasts are in line with the housing capital plan 2025/26 - 2034/35 and the general fund capital plan 2025/26 - 2034/35, both of which will be submitted to Council on 26 February 2025:

Capital Expenditure (PI-1) £'000	2023/24 Actual	2024/25 Probable	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
General Fund – Capital Programme	41,433	50,554	66,371	44,076	25,690	17,095	22,281
– Other Relevant Expenditure	-	37,362	954	954	954	954	954
General Fund Subtotal	**41,433**	**87,916**	**67,325**	**45,030**	**26,644**	**18,049**	**23,235**
Housing	**5,053**	**24,034**	**7,322**	**17,851**	**11,465**	**7,822**	**5,598**
Total	**46,486**	**111,950**	**74,647**	**62,881**	**38,109**	**25,871**	**28,833**

3.2 Capital Financing Assumptions

The table below summarises the capital expenditure plans for the General Fund and how these plans are being financed. Any shortfall of resources results in a borrowing need:

General Fund £'000	2023/24 Actual	2024/25 Probable	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
Capital Expenditure	41,433	50,554	66,371	44,076	25,690	17,095	22,281
Other Relevant Expenditure (per IFRS 16 adjustments)	-	37,362	954	954	954	954	954
Total	41,433	87,916	67,325	45,030	26,644	18,049	23,235
Financed by:							
Capital Receipts	147	1,000	-	-	-	-	-
Capital Reserve							
Developer	-	1,700	550	-	-	-	-
Contributions							
Govt. General	1,411	1,311	1,676	100	100	100	110
Capital Grant							
Govt. Specific	5,906	4,683	6,083	6,083	6,083	6,083	6,083
Capital Grants							
Other Grants &	6,330	10,042	3,634	2,075	375	75	75
Contributions							
Repairs &	-	-	-	-	600	-	-
Renewals							
Fund/CFCR	799	-	-	-	-	-	-
Net Borrowing Requirement for the year	**26,840**	**69,180**	**55,382**	**36,772**	**19,486**	**11,791**	**16,967**

The table below summarises the capital expenditure plans for housing and how these plans are being financed. Any shortfall of resources results in a borrowing requirement:

Housing £'000	2023/24 Actual	2024/25 Probable	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
Capital Expenditure	5,053	24,034	7,322	17,851	11,465	7,822	5,598
Financed by:							
Capital Receipts – Right to Buy	-	-	-	-	-	-	-
Capital Receipts – Land Disposal	-	-	-	-	-	-	-
Capital Reserve	-	4,000	6,500	1,700	-	-	-
Recharges to Owners	-	50	125	125	125	125	100
Govt. Specific Capital Grants	1,081	9,888	50	6,746	-	-	-
Commuted Sums	-	1,350	275	2,056	-	-	-
CFCR	-	-	250	-	2,275	2,090	2,050
Other	131	-	-	-	-	-	-
Net Borrowing Requirement for the year	**3,841**	**8,746**	**122**	**7,224**	**9,065**	**5,607**	**3,448**

The table below summarises the borrowing requirement resulting from both the General Fund (including PFI and leasing type arrangements) and housing capital plans:

Borrowing Requirement £'000	**2023/24 Actual**	**2024/25 Probable**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**	**2029/30 Estimate**
General Fund	26,840	69,180	55,382	36,772	19,486	11,791	16,967
Housing	3,841	8,746	122	7,224	9,065	5,607	3,448
Net Borrowing Requirement for the year	30,681	77,926	55,504	43,996	28,551	17,398	20,415

3.3 The Council's Borrowing Requirement (The Capital Financing Requirement – Prudential Indicator PI-2)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and, therefore its underlying borrowing need. Any capital expenditure identified above, which has not immediately been paid for (e.g. via grants), will increase the CFR.

The CFR does not increase indefinitely, as prudent annual repayments from revenue need to be made which reflect the useful life of capital assets financed by borrowing. From 1 April 2016 authorities may choose whether to use scheduled debt amortisation (loans pool charges) or another suitable method of calculation in order to repay borrowing. The Council's position is set out in paragraph 3.4 below.

The CFR includes any other long term liabilities (e.g. PPP schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI or PPP lease provider and so the Council is not required to separately borrow for these schemes. The Council has liabilities of £68.132m relating to such schemes as at 31 March 2024.

The Council is asked to approve the CFR projections below:

Capital Financing Requirement (PI-2) £'000	**2023/24 Actual**	**2024/25 Probable**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**	**2029/30 Estimate**
General Fund	209,686	270,400	317,498	347,458	356,775	358,431	365,321
Housing	46,586	51,842	48,474	54,578	62,405	66,671	68,705
Total CFR (PI-2)*	**256,272**	**322,242**	**365,972**	**402,036**	**419,180**	**425,102**	**434,026**

Net borrowing requirement for the year (above)	30,681	77,926	55,504	43,996	28,551	17,398	20,415
Less loans fund principal repayment and other financing movements	(12,799) - 17,516	(16,554) - 4,598	(17,068) - 5,294	(11,588) - 3,656	(16,100) - 4,693	(17,626) - 6,150	(18,517) - 7,026
1Movement in CFR	**35,398**	**65,970**	**43,730**	**36,064**	**17,144**	**5,922**	**8,924**

**The CFR for this calculation includes capital expenditure to 31 March of each financial year.*

3.4 Statutory Repayment of Loans Fund Advances

The Council is required to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year. The repayment of loans fund advances ensures that the Council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years.

A variety of options are provided to Council's so long as a prudent provision is made each year. The Council is recommended to approve the following policy on the repayment of loans fund advances:-

- For loans fund advances made before 1 April 2016, the policy will be to maintain the practice of previous years and apply the Statutory Method (in line with Schedule 3 of the Local Government (Scotland) Act 1975), with all loans fund advances being repaid by the annuity method in line with the repayment profile determined in previous years.
- Loans fund advances relating to City Deal projects which will be supported in later years by Government funding will be repaid in accordance with the funding/income profile method. This links the repayments to the project income stream.
- For loans fund advances made between 1 April 2016 and 31 March 2021, excluding the above, the Council will continue to calculate loan charge repayments in line with Schedule 3 of the Local Government (Scotland) Act 1975, using an annuity rate of 4%. The Council is permitted to use this option for new borrowing taken out over this transitional period.
- For loans fund advances from 1 April 2021 to 31 March 2024, these will be repaid with reference to the life of an asset using the equal instalments of Principal method.
- For loans fund advances from 1 April 2024, these will be repaid with reference to the life of the asset, using an annuity method which is in line with the policy adopted by the majority of Council's in Scotland. In addition, the period over which new build houses will now be written off has increased from 40 to 60 year period. The objective of the revised policy is to support a sustainable and deliverable longer term revenue budget strategy, whilst ensuring that provision remains prudent and appropriate to the benefits that are provided from the associated capital expenditure. This is permitted within the new draft regulations. The annuity rate applied to the loans fund repayments is based on historic rates and is currently just over 4% which the Council has assessed is a fair and prudent approach.

The table below shows what the future General Fund loans fund balances are expected to be, with year 1 being 2024/25:

£'000	Year 1	Years 2-4	Years 5-9	Years 10-14	Years 15-19	Years 20+
Opening Balance	124,038	152,097	249,741	262,146	238,342	206,429
Advances	31,818	108,778	38,749	4,050	-	-
Repayments	(3,759)	(11,134)	(26,344)	(27,854)	(31,913)	(206,429)
Closing Balance	152,097	249,741	262,146	238,342	206,429	-

The table below shows what the future HRA loans fund balances are expected to be, with year 1 being 2024/25:

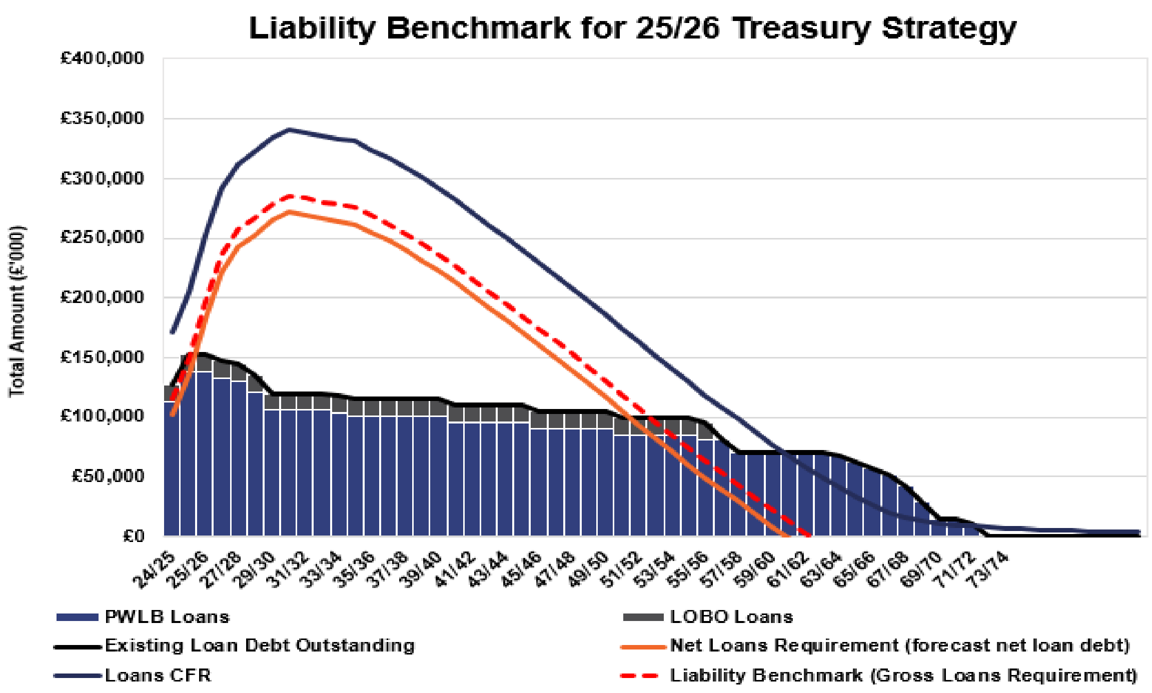
£'000	Year 1	Years 2-4	Years 5-9	Years 10-14	Years 15-19	Years 20+
Opening Balance	46,586	51,482	62,405	73,131	70,472	54,979
Advances	8,746	16,411	18,727	9,924	-	-
Repayments	(3,490)	(5,848)	(8,001)	(12,583)	(15,493)	(54,979)
Closing Balance	51,842	62,405	73,131	70,472	54,979	-

3.5 Liability Benchmark

The Council is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum. It is a projection of the amount of loan debt outstanding that the Council needs to fund its existing debt liabilities, planned prudential borrowing and other cash flows.

There are four components to the LB: -

1. **Existing loan debt outstanding**: the Council's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Loans Fund principal repayments.
3. **Net loans requirement**: this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned Loans Fund principal repayments and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short term liquidity allowance.



4 Borrowing

The previous section of this report provides a summary of the capital expenditure plans. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet service activity and the Council's Capital Investment Strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury/prudential indicators, the current and projected debt positions and the Annual Investment Strategy.

4.1 Current Portfolio Position

The Council's actual and projected debt portfolio is summarised below. The table compares the actual and projected external debt against the Council's estimated borrowing need (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.

£'000 as at 31 March	2023/24 Actual	2024/25 Probable	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
Borrowing	127,639	172,624	215,108	255,092	273,075	280,558	293,040
Other Long Term Liabilities	68,132	96,189	87,138	79,726	71,277	61,372	50,592
Total Gross Debt (Prudential Indicator PI-3)	**195,771**	**268,813**	**302,246**	**334,818**	**344,352**	**341,930**	**343,632**
CFR – the borrowing need	**256,272**	**322,242**	**365,972**	**402,036**	**419,180**	**425,102**	**434,026**
(Under) / Over Borrowing (Prudential Indicator PI-6)	**(60,501)**	**(53,429)**	**(63,726)**	**(67,218)**	**(74,828)**	**(83,172)**	**(90,394)**

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these limits (PI-3) is ensuring that the Council's gross debt figure (shown above) does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2025/26 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded by external loan debt as the cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels, albeit only once prevailing inflation concerns are addressed by restrictive near-term monetary policy.

4.2 Treasury Indicators: Limits to Borrowing Activity

a) The Operational Boundary (Prudential Indicator PI-4)

This indicator takes account of capital expenditure and financing requirements, and projects the expected level of external debt for operational purposes. Temporary breaches of the operational boundary may occur as a result of unexpected cash movements. The Head of Finance (Chief Financial Officer) has delegated authority to manage the movement between borrowing and other long term liabilities such as finance leases in accordance with option appraisal and value for money considerations, if it is considered appropriate. Any such movement will be reported to Council following the change.

Operational boundary for external debt (PI-4) £'000	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
Borrowing	278,111	326,600	349,207	373,048	397,767
Other Long Term Liabilities	97,143	88,092	80,680	72,231	62,326
Total	375,254	414,692	429,887	445,279	460,093

b) The Authorised Limit for External Debt (Prudential indicator PI-5)

This is a key prudential indicator and represents a control on the maximum level of borrowing. It is similar to the operational boundary but includes further headroom to accommodate adverse cash flow movements and opportunities for advance borrowing. It represents a legal limit which external debt is prohibited to exceed and reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. In circumstances where a breach takes place the reasons shall be reported to the next meeting of the Council and the limit revised if appropriate. It should be noted that under section 3(1) of the Local Government Act 2003, the Government retains an option to control either the total of all local authority plans, or those of a specific Council, although this power has not yet been exercised.

The proposed Authorised Limit for the Council is as follows:

Authorised limit for external debt (PI-5) £'000	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
Borrowing	319,828	375,591	401,588	429,005	457,432
Other Long Term Liabilities	97,143	88,092	80,680	72,231	62,326
Total	416,971	463,683	482,268	501,236	519,758

c) Leasing - International Financial Reporting Standard (IFRS) 16

From 1 April 2024, leases which were previously off balance sheet will now be included. As leases form part of the other long term liability figures which make up the Prudential Indicators above, it is possible that the indicators currently suggested will be exceeded. Detailed data gathering has been substantially completed, however as this information is continually being reviewed and will be updated later in the 2025/26 financial year, an updated report may be required to inform members of any further impacts of IFRS 16 with amended Prudential Indicators for approval.

4.3 Prospects for Interest Rates

As noted previously the Council has appointed MUFG Corporate Markets as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. MUFG Corporate Markets provided the following forecasts on 11 November 2024. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

Additional notes by MUFG Corporate Markets on this forecast table: -

- Following the 30 October Budget, the outcome of the US Presidential election on 6 November, and the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) on 7 November, we have significantly revised our central forecasts for the first time since May. In summary, our Bank Rate forecast is now 50bps – 75bps higher than was previously the case, whilst our PWLB forecasts have been materially lifted to not only reflect our increased concerns around the future path of inflation, but also the increased level of Government borrowing over the term of the current Parliament.

- If we reflect on the 30 October Budget, our central case is that those policy announcements will be inflationary, at least in the near-term. The Office for Budgetary Responsibility and the Bank of England concur with that view. The latter have the CPI measure of inflation hitting 2.5% y/y by the end of 2024 and staying sticky until at least 2026. The Bank forecasts CPI to be 2.7% y/y (Q4 2025) and 2.2% (Q4 2026) before dropping back in 2027 to 1.8% y/y.

- The anticipated major investment in the public sector, according to the Bank, is expected to lift UK real GDP to 1.7% in 2025 before growth moderates in 2026 and 2027. The debate around whether the Government's policies lead to a material uptick in growth primarily focus on the logistics of fast-tracking planning permissions, identifying sufficient skilled labour to undertake a resurgence in building, and an increase in the employee participation rate within the economy.

- There are inherent risks to all the above. The worst-case scenario would see systemic blockages of planning permissions and the inability to identify and resource the additional workforce required to deliver large-scale IT, housing and infrastructure projects. This would lead to upside risks to inflation, an increased prospect of further Government borrowing & tax rises, and a tepid GDP performance.

- Our central view is that monetary policy is sufficiently tight at present to cater for some further moderate loosening, the extent of which, however, will continue to be data dependent. We forecast the next reduction in Bank Rate to be made in February and for a pattern to evolve whereby rate cuts are made quarterly and in keeping with the release of the Bank's Quarterly Monetary Policy Reports (February, May, August and November).

- Any movement below a 4% Bank Rate will, nonetheless, be very much dependent on inflation data in the second half of 2025. The fact that the November MPC rate cut decision saw a split vote of 8-1 confirms that there are already some concerns around inflation's stickiness, and with recent public sector wage increases beginning to funnel their way into headline average earnings data, the market will be looking very closely at those releases.

- Regarding our PWLB forecast, the short to medium part of the curve is forecast to remain elevated over the course of the next year, and the degree to which rates moderate will be tied to the arguments for further Bank Rate loosening or otherwise. The longer part of the curve will also be impacted by inflation factors, but there is also the additional concern that with other major developed economies such as the US and France looking to run large budget deficits there could be a glut of government debt issuance that investors will only agree to digest if the interest rates paid provide sufficient reward for that scenario.

- So far, we have made little mention of the US President Election. Nonetheless, Donald Trump's victory paves the way for the introduction/extension of tariffs that could prove inflationary whilst the same could be said of further tax cuts and an expansion of the current US budget deficit. Invariably the direction of US Treasury yields in reaction to his core policies will, in all probability, impact UK gilt yields. So, there are domestic and international factors that could impact PWLB rates whilst, as a general comment, geo-political risks abound in Europe, the Middle East and Asia.

- Our revised PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps).

MUFG Corporate Market Forecasts

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, but the risks to our forecasts are to the upsides. Our target borrowing rates are set **two years forward** (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below: -

PWLB debt	Current borrowing rate as at 11.11.24 p.m.	Target borrowing rate now (end of Q3 2026)	Target borrowing rate previous (end of Q3 2026)
5 years	5.02%	4.30%	3.90%
10 years	5.23%	4.50%	4.10%
25 years	5.66%	4.90%	4.40%
50 years	5.42%	4.70%	4.20%

Borrowing advice: Our long term (beyond 10 years) forecast for Bank Rate has been increased to 3.25% (from 3%). As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should also be considered. Temporary borrowing rates will, generally, fall in line with Bank Rate cuts.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are set out below.

Average earnings in each year	Now	Previously
2024/25 (residual)	4.60%	4.25%
2025/26	4.10%	3.35%
2026/27	3.70%	3.10%
2027/28	3.50%	3.25%
2028/29	3.50%	3.25%
Years 6 to 10	3.50%	3.25%
Years 10+	3.50%	3.50%

We will continue to monitor economic and market developments as they unfold. Typically, we formally review our forecasts following the quarterly release of the Bank of England's Monetary Policy Report but will consider our position on an ad hoc basis as required.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

4.4 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels, albeit only once prevailing inflation concerns are addressed by restrictive near-term monetary policy. That is, Bank Rate remains relatively elevated in 2025 even if some rate cuts arise.

Against this background and the risks within the economic forecast, caution will be adopted with the 2025/26 treasury operations. The Head of Finance (Chief Financial Officer) will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed; and

- if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions to borrow externally in excess of the amounts shown in para 3.2 will be reported to Council at the next available opportunity.

4.5 Treasury Management Limits on Activity

There are three debt related treasury activity limits. The purpose of these is to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive, they will impair the opportunities to reduce costs/improve performance. The indicators are:

(i) Upper limits on fixed interest rate exposure (Treasury Indicator TI-1)

This covers a maximum limit for borrowing exposure to fixed interest rates, based on the debt position and is set at 100%.

(ii) Upper limits on variable interest rate exposure (Treasury Indicator TI-2)

This identified a maximum limit for borrowing exposure to variable interest rates based upon the debt position and is set at 15%.

(iii) Maturity structure of borrowing (Treasury Indicator TI-3)

Gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing. The Council has set the limit of debt maturing in any one year to 15% at the time of borrowing.

4.6 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

The Head of Finance (Chief Financial Officer) has the authority to borrow in advance of need under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. The Head of Finance (Chief Financial Officer) will adopt a cautious approach to any such borrowing and a business case to support the decision making process must consider:

- the benefits of borrowing in advance
- the risks created by additional levels of borrowing and investment and
- how far in advance it is reasonable to borrow considering the risks identified

Any such advance borrowing should be reported through the quarterly or annual Treasury Management reporting mechanism.

4.7 Debt Rescheduling

Rescheduling of current borrowing in the Council's debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

All rescheduling will be reported to Council at the earliest meeting following its action.

5 Annual Investment Strategy 2025/26

5.1 Investment Policy

The Council's investment policy implements the requirements of the following:-

- Local Government Investments (Scotland) Regulations 2010 (and accompanying Finance Circular 5/2010)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code") and
- CIPFA Treasury Management Guidance Notes 2021

The above regulations and guidance place a high priority on the management of risk. The Council's investment priorities will be security first, liquidity second and then yield (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, and with regard to the Council's risk appetite, whilst also accommodating Environmental, Social and Governance (ESG) principles as a fourth priority and principle to apply (see annex F).

This Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means:-

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to monitor market pricing, such as **"credit default swaps"**, and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This Council has defined the list of **types of investment instruments** that are permitted investments authorised for use in Annex C. Annex D expands on the risks involved in each type of investment and the mitigating controls.

5. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the information gathered (see points 1-3 above).

6. **Transaction limits** are set for each type of investment (see Annex E).

7. This Council has engaged **external consultants**, (see paragraph 2.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Council and in the context of the expected level of cash balances and need for liquidity throughout the year.

8. This Council will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 5.7c).

9. The Council has determined that it will only use approved counterparties from within the United Kingdom.

However, this Council will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 5.8). Regular monitoring of investment performance will be carried out during the year.

5.2 Changes in Risk Management Policy from last year

The above criteria are unchanged from last year.

5.3 Creditworthiness Policy

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security and

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Head of Finance (Chief Financial Officer) will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary (see **Annex E**). These criteria provide an overall pool of classes of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

Credit rating information is supplied by MUFG Corporate Markets the Council's treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list, with the exception of the Council's own banker. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a longer term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applied to a counterparty that is already at the minimum Council criteria will be suspended from use, with all other counterparties being reviewed in light of market conditions.

The criteria for providing a pool of high quality investment counterparties are:

- Banks 1 - good credit quality **–** the Council will only use UK banks which have, as a minimum, the following Fitch (or equivalent) ratings (where rated):
    i. Short Term – *F1*
    ii. Long Term – *A-*
- Banks 2 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.
- Bank subsidiary and treasury operation - The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Building societies - The Council will use societies which meet the ratings for banks outlined above;
- Money Market Funds (LVNAV OR VNAV).
- Ultra-Short Dated Bond Funds.
- UK Government (including gilts, Treasury Bills and the Debt Management Agency Deposit Facility).
- Local authorities, including Police, Fire and the Council's subsidiary (East Renfrewshire Culture & Leisure Trust).

Use of additional information other than credit ratings. Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information (for example Credit Default Swaps, negative rating Watches/Outlooks) will be applied before making any specific investment decision from the agreed pool of counterparties to compare the relative security of differing investment opportunities.

Hub Schemes. The Council also invests in hub projects, which are based on robust business cases and a cash flow from public sector organisations (i.e. low risk). As additional assurance, such investments are restricted to hub schemes where the Council is a significant participant.

Time and monetary limits applying to investments. The time and monetary limits for institutions on the Council's counterparty list are as stated in **Annex E**.

Creditworthiness. Significant levels of downgrades to Short and Long Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, this Council will not set a minimum rating for the UK.

5.4 Country and Council's Banker

a) **Country Limits**

The Council's strategy is to only use approved counterparties from within the United Kingdom. The Head of Finance (Chief Financial Officer) may review this policy to countries with sovereign ratings of AAA should the sovereign rating for the UK be downgraded to below Fitch AA –, or equivalent.

b) Council's Own Banker

The Council's own banker (The Clydesdale bank) will be maintained on the Council's counterparty list in situations where rating changes mean this is below the above criteria. This is to allow the Council to continue to operate normal current account banking facilities overnight and short term investment facilities.

5.5 The Monitoring of Investment Counterparties

All credit ratings will be monitored on a weekly basis. The Council is alerted to changes to ratings of all three agencies through its use of the creditworthiness service of MUFG Corporate Markets.

If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

If the Council has funds invested in an institution which is downgraded to below the acceptable rating criteria, the Council will enter discussions with the counterparty to establish if the funds can be returned early. This, however, will be subject to an appropriate cost versus risk assessment of the specific situation.

The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Under exceptional market conditions, the Head of Finance (Chief Financial Officer) may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out in this strategy or restrict the duration of investments. These restrictions will remain in place until the Head of Finance (Chief Financial Officer) is of an opinion that the banking system has returned to 'normal'.

5.6 Types of Investments

For institutions on the approved counterparty list, investments will be restricted to safer instruments (as listed in **Annex D**). Currently this involves the use of money market funds, the Debt Management Agency Deposit Facility (DMADF) and institutions with higher credit ratings than the minimum permissible rating outlined in the investment strategy, as well as the Council's own bank.

Where appropriate, investments will be made through approved brokers. The current list of approved brokers comprises:

- Sterling International Brokers Limited
- Tradition (UK) Limited
- Martins Brokers
- King and Shaxson Capital Limited

- Tullet Prebon Brokers
- Imperial Treasury Services
- MUFG Corporate Markets Treasury Limited

5.7 Investment Strategy and bank rate projections

a) In-house funds

Investments will be made with reference to the core balance and cash flow requirements and the outlook for short term interest rates (i.e. rates for investments up to 12 months).

Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that the risks are relatively balanced between the Bank Rate staying higher for longer, if inflation picks up markedly through 2025 post the 30 October 2024 Budget, or the rate being cut more quickly than expected if the economy stagnates. The economy only grew 0.1% in Quarter 3 2024, but the CPI measure of inflation is now markedly above the 2% target rate set by the Bank of England's Monetary Policy Committee two to three years forward.

Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

b) Investment returns expectations

The current forecast is that the Bank Rate will fall to a low of 3.5%.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Average earnings in each year	Now	Previously
2024/25 (residual)	4.60%	4.25%
2025/26	4.10%	3.35%
2026/27	3.70%	3.10%
2027/28	3.50%	3.25%
2028/29	3.50%	3.25%
Years 6 to 10	3.50%	3.25%
Years 10+	3.50%	3.50%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

For its cash flow generated balances, the Council will seek to utilise its money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment. They are based on the availability of funds after each year-end.

The Council is asked to approve the following treasury indicator and limit:

c) **Investment Treasury Indicator And Limit (Treasury Indicator TI-4)**
Total Principal Funds Invested for Greater Than 365 days

These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The treasury indicator and limit proposed is:

Maximum principal sums invested > 365 days (TI-4)			
	2025/26	2026/27	2027/28
Principal sums invested > 365 days	5%	5%	5%

5.8 Risk Benchmarking

These benchmarks are simple guides to minimise risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmarks is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons, in the quarterly or annual reports.

a) **Security**
The Council's **maximum** security risk benchmark for the current portfolio, when compared to historic default tables, is:

0.06% historic risk of default when compared to the whole portfolio for 1 year.

b) **Liquidity**
In respect of this area the Council seeks to maintain:

- Bank Overdraft: £100,000 East Renfrewshire Council
£ 25,000 East Renfrewshire Culture & Leisure Trust

c) **Yield**
Local Measures of yield benchmarks are:

Investments - Internal returns above the 1 month compounded SONIA (Sterling Over-Night Indexed Average) rate.

5.9 End of year investment report

At the end of the financial year, the Head of Finance (Chief Financial Officer) will report on the Council's investment activity as part of the Annual Treasury Report.

6 Performance Indicators

6.1 The CIPFA Code requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking.

6.2 Debt Performance Indicator

(i) Average "Pool Rate" charged by the Loans Fund compared to Scottish Local Authority average Pool Rate:

Target is to be at or below the Scottish Average for 2024/25.

6.3 Loan Charges

Loan Charges for 2025/26 are expected to be at or below the Revenue Budget estimate contained in the Council's General Fund Financial Plans to be approved in February 2025, which are estimated as follows:

£m	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
Capital Repayments	3,573	2,102	5,459	5,426	5,370
Interest on Borrowing	7,296	9,222	10,228	10,539	10,735
Expenses	219	255	247	248	254
Total Loan Charges*	**11,088**	**11,579**	**15,934**	**16,213**	**16,359**

**The Loan Charges exclude the capital element of PPP & IFRS 16 repayments*

6.4 Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

(i) Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
Non-HRA	6.6	8.0	8.0	7.4	8.7	8.9	8.9
HRA	33.8	35.0	33.6	19.3	20.6	21.9	22.1

The estimates of financing costs include current commitments and the proposals in the budget report.

(ii) HRA ratios

£	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
HRA debt £m	**46,586**	**51,842**	**48,474**	**54,578**	**62,405**	**66,671**	**68,706**
HRA revenues £m	**15,170**	**15,951**	**16,855**	**17,355**	**18,184**	**18,724**	**19,280**
Ratio of debt to revenues %	**307.1**	**325.0**	**287.6**	**314.5**	**343.2**	**356.1**	**356.4**

£	2023/24 Actual	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	2029/30 Estimate
HRA debt £m	**46,586**	**51,842**	**48,474**	**54,578**	**62,405**	**66,671**	**68,706**
Number of HRA dwellings	**3,136**	**3,230**	**3,230**	**3,230**	**3,296**	**3,296**	**3,296**
Debt per dwelling £	**14,855**	**16,050**	**15,007**	**16,897**	**18,934**	**20,228**	**20,845**

7 Monitoring and Reporting

In line with the CIPFA Code, the following formal reporting arrangements will be adopted:

Requirement	Purpose	Responsible Body	Frequency
Scrutiny of Treasury Management Strategy	Detailed scrutiny prior to annual approval by Council	Audit & Scrutiny Committee	Annually
Treasury Management Strategy	Reporting on Annual Strategy	Council	Annually prior to start of new financial year
Scrutiny of Interim Treasury Management Reports	Detailed scrutiny prior to approval by Council	Audit & Scrutiny Committee	Quarterly in September/ November/January/March of the current year
Interim Treasury Management Reports	Quarterly Performance Report	Council	Quarterly after reported to the Audit & Scrutiny Committee
Scrutiny of Treasury Management Annual Report	Detailed scrutiny prior to approval by Council	Audit & Scrutiny Committee	Annually in August of the financial year

Treasury Management Annual Report	Annual Performance report for previous financial year	Council	Annually after reported to the Audit & Scrutiny Committee
Treasury Management Practices		Council	As appropriate
Treasury Management Policy Statement	Reviews and revisions	Council	As required

8 Member and Officer Training

The CIPFA Code requires the Head of Finance (Chief Financial Officer) to ensure that both members and officers with responsibility for treasury management receive adequate training in this area.

Furthermore, the Code states that it expects “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and members.
- Require treasury management officers and members to undertake self-assessment against the required competencies.
- Have regular communication with officers and members, encouraging them to highlight training needs on an ongoing basis.”

The training needs of the treasury management officers and members are periodically reviewed and on this basis a mid-term self-assessment of the Audit & Scrutiny Committee has commenced, the outcome of which may contribute to the determination of what further training is required.

A formal record of the training received by officers central to the treasury function will be maintained by the Senior Treasury Officer, who will also record any treasury management/capital finance training received by members. Training can be arranged with the Council’s treasury advisors, as required.

ANNEXES

ANNEX A
SUMMARY OF PRUDENTIAL AND TREASURY INDICATORS

Indicator (Page Ref.)	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
PRUDENTIAL INDICATORS							
Capital Expenditure Indicator							
PI-1 (Page7) Capital Expenditure Limits	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	67,325	45,030	26,644	18,049	23,235	16,160	8,465
Housing	7,322	17,851	11,465	7,822	5,598	5,826	5,021
Total	**74,647**	**62,881**	**38,109**	**25,871**	**28,833**	**21,986**	**13,486**
PI-2 (Page 8) Capital Financing Requirement	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	317,498	347,458	356,775	358,431	365,321	365,912	358,583
Housing	48,474	54,578	62,405	66,671	68,705	70,821	72,041
Total	**365,972**	**402,036**	**419,180**	**425,102**	**434,026**	**436,733**	**430,625**
Affordability Indicator							
External Debt Indicators							
PI-3 (Page 11) Gross Debt	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing	215,108	255,092	273,075	280,558	293,040	298,021	298,001
Other Long Term Liabilities	87,138	79,726	71,277	61,372	50,592	38,933	31,151
Total	**302,246**	**334,818**	**344,352**	**341,930**	**343,632**	**336,954**	**329,152**
PI-4 (Page 12) Operational Boundary for External Debt	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing	278,111	326,600	349,207	373,048	397,767	397,149	398,839
Other Long Term Liabilities	97,143	88,092	80,680	72,231	62,326	51,546	39,887
Total	**375,254**	**414,692**	**429,887**	**445,279**	**460,093**	**448,695**	**438,726**
PI-5 (Page 12) Authorised Limit for External Debt	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowing	319,828	375,591	401,588	429,005	457,432	456,721	458,664
Other Long Term Liabilities	97,143	88,092	80,680	72,231	62,326	51,546	39,887
Total	416,971	**463,683**	**482,268**	**501,236**	**519,758**	**508,267**	**498,551**

(Page 23) Finance Costs General Fund Other Long Term Liabilities Housing Total	£'000 11,088 16,451 5,665 **33,204**	£'000 11,579 14,127 3,355 **29,061**	£'000 15,934 14,649 3,755 **34,338**	£'000 16,213 15,515 4,097 **35,825**	£'000 16,359 15,697 4,269 **36,325**	£'000 16,124 15,818 4,501 **36,443**	£'000 16,362 11,123 4,803 **32,288**
(Page 23) Ratio of Financing costs to Net Revenue Stream – Non –HRA	**8.0**	7.4	**8.7**	**8.9**	**8.9**	**8.8**	**7.4**
(Page 23) Ratio of Financing costs to Net Revenue Stream – HRA	**33.6**	**19.3**	**20.6**	**21.9**	**22.1**	**22.7**	**23.5**
(Page 24) Ratio of HRA Debt To HRA Revenue	**287.6**	**314.5**	**343.2**	**356.1**	**356.4**	**356.7**	**352.6**
(Page 24) HRA Debt per Dwelling £	**15,007**	**16,897**	**18,934**	**20,228**	**20,845**	**21,487**	**21,857**
Indicators of Prudence							
PI-6 (Page 11) (Under)/Over Gross Borrowing against the CFR	£'000 **(63,726)**	£'000 **(67,218)**	£'000 **(74,828)**	£'000 **(83,172)**	£'000 **(90,394)**	£'000 **(99,779)**	£'000 **(101,473)**
TREASURY INDICATORS							
TI-1 (Page 16) Upper Limit to Fixed Interest Rates based on Net Debt	100% of debt position						
TI-2 (Page 16) Upper limit to Variable Interest Rates based on Net Debt	15% of debt position						
TI-3 (Page 16) Maturity Structure of Fixed Interest Rate Borrowing	15% maturing in any one year at the time of borrowing						
TI-4 (Page 22) Maximum Principal Sum invested greater than 365 days	5%	5%	5%	5%	5%	5%	5%

ANNEX B – MUFG Corporate Markets Economic Background (to 30 September 2024)

- The third quarter of 2024 (July to September) saw:
- GDP growth stagnating in July following downwardly revised Q2 figures (0.5% q/q)
- A further easing in wage growth as the headline 3myy rate (including bonuses) fell from 4.6% in June to 4.0% in July;
- CPI inflation hitting its target in June before edging above it to 2.2% in July and August;
- Core CPI inflation increasing from 3.3% in July to 3.6% in August;
- The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in its September meeting;
- 10-year gilt yields falling to 4.0% in September.
- The economy's stagnation in June and July points more to a mild slowdown in GDP growth than a sudden drop back into a recession. Moreover, the drop in September's composite activity Purchasing Managers Index, from 53.8 in August to 52.9, was still consistent with GDP growth of 0.3%-0.4% for the summer months. This is in line with the Bank of England's view, and it was encouraging that an improvement in manufacturing output growth could be detected, whilst the services PMI balance suggests non-retail services output grew by 0.5% q/q in Q3. Additionally, the services PMI future activity balance showed an uptick in September, although readings after the Chancellor's announcements at the Budget on 30th October will be more meaningful.
- The 1.0% m/m jump in retail sales in August was stronger than the consensus forecast for a 0.4% m/m increase. The rise was reasonably broad based, with six of the seven main sub sectors recording monthly increases, though the biggest gains came from clothing stores and supermarkets, which the ONS reported was driven by the warmer-than-usual weather and end of season sales. As a result, some of that strength is probably temporary.
- The Government's plans to raise public spending by around £16bn a year (0.6% GDP) have caused concerns that a big rise in taxes will be announced in the Budget, which could weaken GDP growth in the medium term. However, if taxes are raised in line with spending (i.e., by £16bn) that would mean the overall stance of fiscal policy would be similar to the previous government's plan to reduce the budget deficit. Additionally, rises in public spending tend to boost GDP by more than increases in taxes reduce it. Our colleagues at Capital Economics suggest GDP growth will hit 1.2% in 2024 before reaching 1.5% for both 2025 and 2026.
- The further easing in wage growth will be welcomed by the Bank of England as a sign that labour market conditions are continuing to cool. The 3myy growth rate of average earnings fell from 4.6% in June to 4.0% in July. On a three-month annualised basis, average earnings growth eased from 3.0% to 1.8%, its lowest rate since December 2023. Excluding bonuses, the 3myy rate fell from 5.4% to 5.1%.
- Other labour market indicators also point to a further loosening in the labour market. The 59,000 fall in the alternative PAYE measure of the number of employees in August marked the fourth fall in the past five months. And the 77,000 decline in the three months to August was the biggest drop since November 2020. Moreover, the number of workforce jobs fell by 28,000 in Q2. The downward trend in job vacancies continued too. The number of job vacancies fell from 872,000 in the three months to July to 857,000 in the three months to August. That leaves it 34% below its peak in May 2022, and just 5% above its pre-pandemic level. Nonetheless, the Bank of England is still more concerned about the inflationary influence of the labour market rather than the risk of a major slowdown in labour market activity.

- CPI inflation stayed at 2.2% in August, but services inflation rose from a two-year low of 5.2% in July to 5.6%, significantly above its long-run average of 3.5%. Food and fuel price inflation exerted some downward pressure on CPI inflation, but these were offset by the upward effects from rising furniture/household equipment inflation, recreation/culture inflation and a surprisingly large rise in airfares inflation from -10.4% in July to +11.9% in August. As a result, core inflation crept back up from 3.3% to 3.6%. CPI inflation is also expected to rise in the coming months, potentially reaching 2.9% in November, before declining to around 2.0% by mid-2025.
- The Bank initiated its loosening cycle in August with a 25bps rate cut, lowering rates from 5.25% to 5.0%. In its September meeting, the Bank, resembling the ECB more than the Fed, opted to hold rates steady at 5.0%, signalling a preference for a more gradual approach to rate cuts. Notably, one Monetary Policy Committee (MPC) member (Swati Dhingra) voted for a consecutive 25bps cut, while four members swung back to voting to leave rates unchanged. That meant the slim 5-4 vote in favour of a cut in August shifted to a solid 8-1 vote in favour of no change.
- Looking ahead, CPI inflation will likely rise in the coming months before it falls back to its target of 2.0% in mid-2025. The increasing uncertainties of the Middle East may also exert an upward pressure on inflation, with oil prices rising in the aftermath of Iran's missile attack on Israel on 1 October. China's recent outpouring of new fiscal support measures in the latter stages of September has also added to the upshift in broader commodity prices, which, in turn, may impact on global inflation levels and thus monetary policy decisions. Despite these recent developments, our central forecast is still for rates to fall to 4.5% by the end of 2024 with further cuts likely throughout 2025. This is in line with market expectations, however, although a November rate cut still looks likely, December may be more problematic for the Bank if CPI inflation spikes towards 3%. In the second half of 2025, though, we think a more marked easing in inflation will prompt the Bank to speed up, resulting in rates eventually reaching 3.0%, rather than the 3.25-3.50% currently priced in by financial markets.
- Looking at gilt movements in the first half of 2024/25, and you will note the 10-year gilt yield declined from 4.32% in May to 4.02% in August as the Bank's August rate cut signalled the start of its loosening cycle. Following the decision to hold the Bank Rate at 5.0% in September, the market response was muted, with the 10-year yield rising by only 5bps after the announcement. This likely reflected the fact that money markets had priced in a 25% chance of a rate cut prior to the meeting. The yield had already increased by about 10bps in the days leading up to the meeting, driven in part by the Fed's "hawkish cut" on 18 September. There is a possibility that gilt yields will rise near-term as UK policymakers remain cautious due to persistent inflation concerns, before declining in the longer term as rates fall to 3.0%.
- The FTSE 100 reached a peak of 8,380 in the third quarter of 2024, but its performance is firmly in the shade of the US S&P500, which has breached the 5,700 threshold on several occasions recently. Its progress, however, may pause for the time being whilst investors wait to how events in the Middle East (and Ukraine) and the impacts of new US President unfold. The catalyst for any further rally (or not) is likely to be the degree of investors' faith in AI.

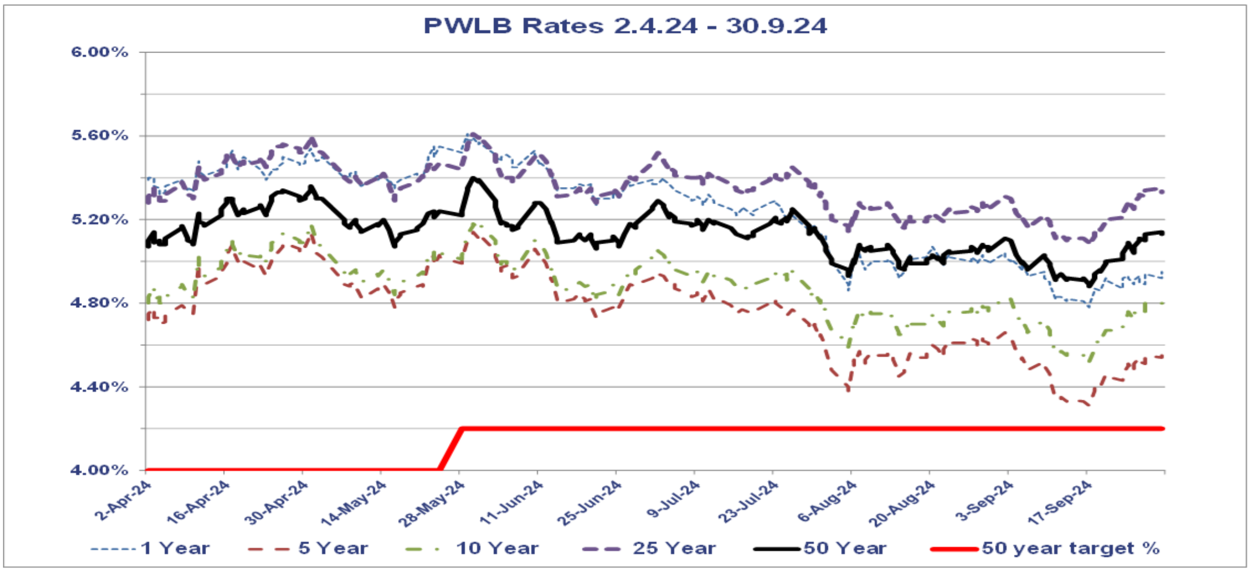
MPC meetings: 9 May, 20 June, 1 August, 19 September 2024

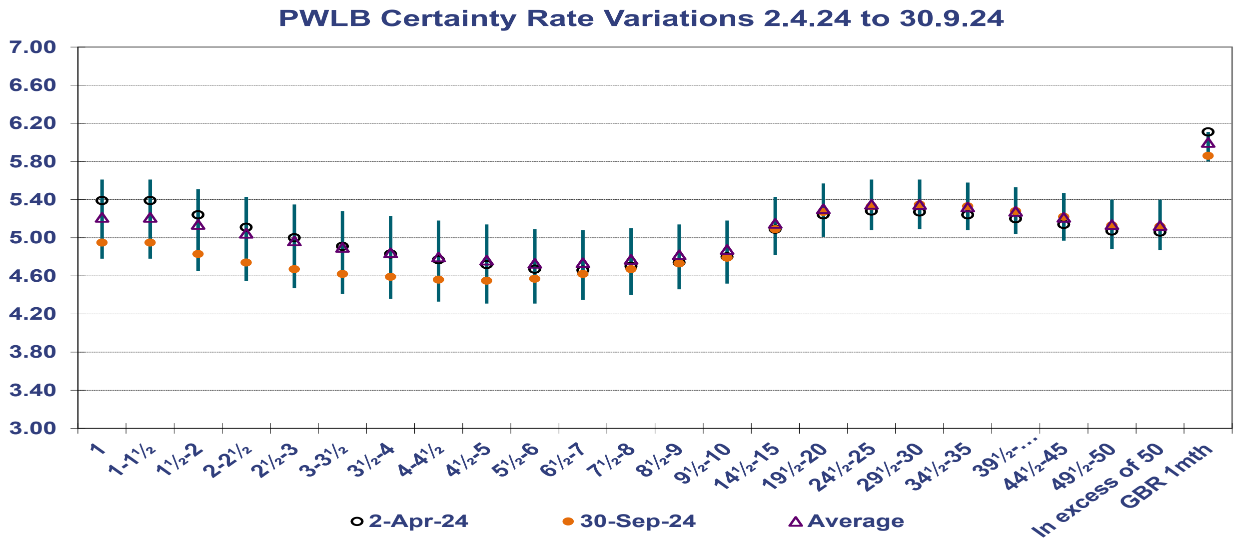
- On 9 May, the Bank of England's Monetary Policy Committee (MPC) voted 7-2 to keep Bank Rate at 5.25%. This outcome was repeated on 20th June.
- However, by the time of the August meeting, there was a 5-4 vote in place for rates to be cut by 25bps to 5%. However, subsequent speeches from MPC members have supported Governor Bailey's tone with its emphasis on "gradual" reductions over time.

- Markets thought there may be an outside chance of a further Bank Rate reduction in September, following the 50bps cut by the FOMC, but this came to nothing.

In the chart below, despite a considerable gilt market rally in mid-September, rates started and finished the six-month period under review in broadly the same position.

PWLB RATES 02.04.24 - 30.09.24





HIGH/LOW/AVERAGE PWLB RATES FOR 02.04.24 – 30.09.24

	1 Year	5 Year	10 Year	25 Year	50 Year
02/04/2024	5.39%	4.72%	4.80%	5.28%	5.07%
30/09/2024	4.95%	4.55%	4.79%	5.33%	5.13%
Low	4.78%	4.31%	4.52%	5.08%	4.88%
Low date	17/09/2024	17/09/2024	17/09/2024	17/09/2024	17/09/2024
High	5.61%	5.14%	5.18%	5.61%	5.40%
High date	29/05/2024	01/05/2024	01/05/2024	01/05/2024	01/05/2024
Average	5.21%	4.76%	4.88%	5.35%	5.14%
Spread	0.83%	0.83%	0.66%	0.53%	0.52%

ANNEX C

Permitted Investment Instruments

Treasury risks

All the investment instruments are subject to the following risks:

1. **Credit and counter-party risk:** this is the risk of failure by a counterparty (bank or building society) to meet its contractual obligations to the organisation particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources. There are no counterparties where this risk is zero although AAA rated organisations have the highest, relative, level of creditworthiness.

2. **Liquidity risk:** this is the risk that cash will not be available when it is needed. While it could be said that all counterparties are subject to at least a very small level of liquidity risk, a credit risk can never be zero. In this document, liquidity risk has been treated as whether or not instant access to cash can be obtained from each form of investment instrument. However, it has to be pointed out that while some forms of investment, e.g. gilts, CDs, corporate bonds, can usually be sold immediately if the need arises, there are two caveats:

    a) cash may not be available until a settlement date up to three days after the sale, and
    b) there is an implied assumption that markets will not freeze up and so the instrument in question will find a ready buyer

3. **Market risk:** this is the risk of potential for losses arising from factors influencing the overall performance of financial markets.

4. **Interest rate risk**: this is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately. This Council has set limits for its fixed and variable rate exposure. These are set out in the Treasury Indicators in this report.

5. **Legal and regulatory risk:** this is the risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

Controls on treasury risks

1. **Credit and counter-party risk:** this Council has set minimum credit criteria to determine which counterparties and countries are of sufficiently high creditworthiness to be considered for investment purposes. See paragraphs 5.3 and 5.4.

2. **Liquidity risk:** this Council has a cash flow forecasting model to enable it to determine how long investments can be made for and how much can be invested.

3. **Market risk:** this Council purchases Certificate of Deposits, Corporate Bonds, Treasury Bills and Ultra-Short Bonds as they offer a higher rate of return than depositing in the DMADF. They are usually held until maturity but in exceptional circumstances, they can be quickly sold at the current market value, (which may be below the purchase cost), if the need arises for extra cash at short notice. Their value does not usually vary much during their short life.

4. **Interest rate risk**: this Council manages this risk by having a view of the future course of interest rates and then formulating a treasury management strategy accordingly. This strategy aims to maximise investment earnings consistent with control of risk or alternatively, seeks to minimise expenditure on interest costs on borrowing. See paragraph 5.7.

5. **Legal and regulatory risk:** the Council will not undertake any form of investing until it has ensured that it has all necessary powers and also complied with all regulations. This applies to all types of investment instruments.

Objectives of each type of Permitted Investment instrument

1. DEPOSITS

The following forms of 'investments' are actually more accurately called deposits as cash is deposited in an account until an agreed maturity date or is held at call.

a) **Debt Management Agency Deposit Facility (DMADF).** This offers the lowest risk form of investment available to local authorities as it is effectively an investment placed with the Government. It is also easy to use as it is a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts. As it is low risk it also earns low rates of interest. However, it is very useful for authorities whose overriding priority is the avoidance of risk. The longest period for a term deposit with the DMADF is 6 months.

b) **Term deposits with high credit worthiness banks and building societies.** This is the most widely used form of investing used by local authorities. It offers a much higher rate of return than the DMADF (dependent on term). The Council will ensure diversification of its portfolio of deposits ensuring that an approved maximum can be placed with any one institution or group. In addition, longer term deposits offer an opportunity to increase investment returns by locking in high rates ahead of an expected fall in the level of interest rates. At other times, longer term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases. This form of investing offers a lot of flexibility and provides higher earnings than the DMADF however once a longer term investment is made, that cash is locked in until the maturity date.

c) **Call accounts with high credit worthiness banks and building societies.** The objectives are as for 1b, but there is instant access to recalling cash deposited. This generally means accepting a lower rate of interest than that which could be earned from the same institution by making a term deposit. Some use of call accounts is highly desirable to ensure that the Council has ready access to cash when needed to pay bills.

d) **Fixed term deposits with variable rate and variable maturities (structured deposits).** This encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits and provides greater flexibility to adopt new instruments, as and when they are brought to the market. Approval will be sought before making deposits using instruments under this generic title.

e) **Collateralised deposits.** These are deposits placed with a bank which offers collateral backing based on specific assets. Examples seen in the past have included local authority LOBOs, where such deposits are effectively lending to a local authority as that is the ultimate security.

2. DEPOSITS WITH COUNTERPARTIES CURRENTLY IN RECEIPT OF GOVERNMENT SUPPORT/OWNERSHIP

These banks (not applicable currently) offer another dimension of creditworthiness in terms of Government backing through either partial or full direct ownership. The view of this Council is that such backing makes these banks attractive institutions with whom to place deposits, and that will remain the view if the UK sovereign rating were to be downgraded in the coming year.

a) **Term deposits with high credit worthiness banks which are fully or semi nationalised.** As for 1b, but Government full (or substantial partial) ownership, implies that the Government stands behind this bank and will be deeply committed to providing whatever support that may be required to ensure the continuity of that bank. This Council considers that this indicates a low and acceptable level of residual risk.

b) **Fixed term deposits with variable rate and variable maturities (structured deposits).** There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide councils with greater flexibility to adopt new instruments as and when they are brought to the market. Approval will be sought before making deposits using instruments under this generic title.

3. COLLECTIVE INVESTMENT SCHEMES STRUCTURED AS OPEN ENDED INVESTMENT COMPANIES (OEICS)

a) **Government liquidity funds.** These are the same as money market funds (see below) but only invest in government debt issuance with highly rated governments. Due to the higher quality of underlying investments, they offer a lower rate of return than MMFs. However, their net return is typically on a par with the DMADF, but with instant access.

b) **Money Market Funds (MMFs).** By definition, MMFs are AAA rated and are widely diversified, using many forms of money market securities including types which this Council does not currently have the expertise or capabilities to hold directly. However, due to the high level of expertise of the fund managers, the huge amounts of money invested in MMFs, and the fact that the weighted average maturity (WAM) cannot exceed 60 days, MMFs offer a combination of high security, instant access to funds, high diversification and good rates of return compared to equivalent instant access facilities. They are particularly advantageous in falling interest rate environments as their 60 day WAM means they have locked in investments earning higher rates of interest than are currently available in the market. MMFs also help an authority to diversify its own portfolio and, therefore, minimise risk exposure while still getting much better rates of return than available through the DMADF.

c) **Ultra-short dated bond funds.** These funds are similar to MMFs, can still be AAA rated but have variable net asset values (VNAV) as opposed to a traditional MMF which has a Constant Net Asset Value (CNAV). They aim to achieve a higher yield and to do this either take more credit risk or invest out for longer periods of time, which means they are more volatile. These funds can have WAM's and Weighted Average Life (WAL's) of 90 – 365 days or even longer. Their primary objective is yield rather than capital preservation. They, therefore, are a higher risk than MMFs and, correspondingly, have the potential to earn higher returns than MMFs.

d) **Gilt funds.** These are funds which invest only in UK Government gilts. They offer a lower rate of return than bond funds but are highly rated both as a fund and through investing only in highly rated government securities. They offer a higher rate of return than investing in the DMADF but they do have an exposure to movements in market prices of assets held.

e) **Bond funds.** These can invest in both government and corporate bonds. This, therefore, entails a higher level of risk exposure than gilt funds but the aim is to achieve a higher rate of return than normally available from gilt funds by trading in non-government bonds.

4. SECURITIES ISSUED OR GUARANTEED BY GOVERNMENTS

The following types of investments are where an authority directly purchases a particular investment instrument, a security. A security has a market price when purchased and that value can change during the period the instrument is held until it matures or is sold. The annual earnings on a security is called a yield, which is normally the interest paid by the issuer divided by the price paid to purchase the security, unless a security is initially issued at a discount e.g. treasury bills.

a) **Treasury bills.** These are short term bills (up to 18 months, but usually 9 months or less) issued by the Government and, therefore, are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF. Another advantage compared to a term deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales could incur a net cost during the period of ownership.

b) **Gilts.** These are longer term debt issuance by the UK Government and are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF. Another advantage compared to a term deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales may incur a net cost. Market movements that occur between purchase and sale may also have an adverse impact on proceeds. The advantage over Treasury bills is that they generally offer higher yields the longer it is to maturity (for most periods) if the yield curve is positive.

c) **Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government** e.g. National Rail. This is similar to a gilt due to the explicit Government guarantee.

5. SECURITIES ISSUED BY CORPORATE ORGANISATIONS

The following types of investments are where an authority directly purchases a particular investment instrument, a security. These are similar to the previous category but corporate organisations can have a wide variety of credit worthiness so it is essential for local authorities to only select the organisations with the highest levels of credit worthiness. Corporate securities are generally a higher risk than government debt issuance and so earn higher yields.

a) **Certificates of deposit (CDs).** These are shorter term securities issued by deposit taking institutions (mainly financial institutions). They are negotiable instruments, so can be sold ahead of maturity and also purchased after they have been issued. However, that liquidity can come at a price, where the yield could be marginally less than placing a deposit with the same bank as the issuing bank.

b) **Commercial paper**. This is similar to CDs but is issued by commercial organisations or other entities. Maturity periods are up to 365 days but commonly 90 days.

c) **Corporate bonds.** These are (long term) bonds (usually bearing a fixed rate of interest) issued by a financial institution, company or other non-government issuer in order to raise capital for the institution as an alternative to issuing shares or borrowing from banks. They are generally seen to be of a lower creditworthiness than government issued debt and so usually offer higher rates of yield.

d) **Floating rate notes.** These are bonds on which the rate of interest is established periodically with reference to short term interest rates.

6. OTHER

a) **Property fund.** This is a collective investment fund specialising in property. Rather than owning a single property with all the risk exposure attached to one property in one location rising or falling in value, maintenance costs, tenants actually paying their rent / lease etc., a collective fund offers the advantage of diversified investment over a wide portfolio of different properties. This can be attractive for authorities who want exposure to the potential for the property sector to rise in value. However, timing is critical to entering or leaving this sector at the optimum times of the property cycle. Typically, the minimum investment time horizon for considering such funds is at least 3-5 years.

b) **Loans to third parties.** These are loans provided to third parties at either market rates of interest or below market rates. Each application is supported by the service rationale behind the loan and requires member approval. These loans are highly illiquid and may exhibit credit risk.

c) **Loans to a Local Authority Company/ Partnership or Charity**. These loans have to be supported by the service rationale/ business case and requires member approval. In general these loans will involve some form of security or clear cash flow that is available to service the debt. These loans are highly illiquid and may exhibit credit risk.

d) **Shares in Hub schemes**. These are shares in projects that have both Council and the Scottish Government as participants. As such the Council are well placed to influence and ensure the successful completion of the projects, which are based on robust business cases with a cash flow from the public sector organisations. These investments are highly illiquid with a low credit risk.

ANNEX D

Credit and Counterparty Risk Management

Permitted Investments, Associated Controls and Limits for East Renfrewshire Council and East Renfrewshire Culture & Leisure Trust

Type of Investment	Treasury Risks	Mitigating Controls	Limits
a. Deposits with the Debt Management Account Facility (UK Government) (**Very low risk**)	This is a deposit with the UK Government and, as such, counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months	Little mitigating controls required. As this is a UK Government investment, the monetary limit is high.	£30m Maximum 6 months
b. Deposits with other local authorities or public bodies (**Very low risk**)	These are considered quasi UK Government debt and, as such counterparty risk is very low, and there is no risk to value. Liquidity may present a problem as deposits can only be broken with the agreement of the counterparty, and penalties can apply. Deposits with non-local authority bodies will be restricted to the overall credit rating criteria	Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment. Non-local authority deposits will follow the approved credit rating criteria	£5m (per body), maximum 6 months
c. Money Market Funds (MMFs) These are LVNAV (Low Volatility Net Asset Value) or VNAV (Variable Net Asset Value) **(Low to very low risk**)	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMFs has "AAA" rated status from either Fitch, Moody's or Standard & Poors.	£10m per fund/£60m overall
d. Ultra-Short Dated Bond Funds these are VNAV (Variable Net Asset Value) **(Low risk)**	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where they have "AAA" rated status from either Fitch, Moody's or Standard and Poor's.	£10m overall, part of category c.

e. Call account deposit accounts with financial institutions (banks and building societies) (**Low risk depending on credit rating**)	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. These type of investments have no risk to value, liquidity is high and investment can be returned at short notice	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Day to day investment dealing with this criteria will be further strengthened by use of additional market intelligence.	As shown in the counterparty listing (Annex E)
f. Term deposits with financial institutions (banks and building societies) (**Low to medium risk depending on period & credit rating**)	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be broken with the agreement of the counterparty, and penalties may apply.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poors. Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	As shown in the counterparty listing (Annex E)
g. UK Government Gilts and Treasury Bills **(Very low risk)**	These are marketable securities issued by the UK Government and, as such, counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates (no loss if these are held to maturity).	Little counterparty mitigating controls are required, as this is a UK Government investment. The potential for capital loss will be reduced by limiting the maximum monetary and time exposures.	£5m, maximum 6 months
h. Certificates of Deposit with Financial Institutions (Banks & Building Societies) **(Low risk)**	These are short dated marketable securities issued by financial institutions and as such counterparty risk is low, but will exhibit higher risks than categories (a), (b) and (c) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates (no loss if these are held to maturity). Liquidity risk will normally be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	Dependent on institution as listed in counterparty listing in annex E

i. Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.) **(Low to medium risk depending on period & credit rating)**	These tend to be medium to low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is very low and investments can only be broken with the agreement of the counterparty (penalties may apply).	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	Dependent on institution as listed in counterparty listing in annex E
j. Corporate Bonds **(Medium to high risk depending on period and credit rating)**	These are marketable securities issued by financial and corporate institutions. Counterparty risk will vary and there is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Corporate bonds will be restricted to those meeting the base criteria. Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	Dependent on institution as listed in counterparty listing in annex E
k. Investment properties	These are non-service properties which are being held pending disposal or for a longer term rental income stream. These are highly illiquid assets with high risk to value (the potential for property prices to fall or for rental voids)	In larger investment portfolios, some small allocation of property based investment may counterbalance/compliment the wider cash portfolio. Property holding will be re-valued regularly and reported annually with gross and net rental streams.	No limit
l. Loans to third parties, including soft loans	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Member approval and each application is supported by the service rationale behind the loan and the likelihood of partial or full default.	£0.5m
m. Loans to a local authority company/ partnership or charity	These are service investments either at market rates of interest or below market rates (soft loans). These types of	Each loan to a local authority company requires Member approval and each application is supported by the service	£1m

	investments may exhibit credit risk and are likely to be highly illiquid	rationale/business case behind the loan and the likelihood of partial or full default.	
n. Shares in Hub Schemes	These are investments that are exposed to the success or failure of individual projects and are highly illiquid.	The Council and Scottish Government (via the SFT) are participants in and party to the governance and controls within the project structure. As such they are well placed to influence and ensure the successful completion of the project's term. These projects are based on robust business cases with a cash flow from public sector organisations (i.e. low credit risk)	Investment limited to HUB schemes where the Council is a major participant

The Monitoring of Investment Counterparties

The status of counterparties will be monitored regularly. The Council receives credit rating and market information from MUFG Corporate Markets, including when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately (with the exception of the Council's Bank) and if required new counterparties which meet the criteria will be added to the list with written permission from the Head of Finance (Chief Financial Officer).

ANNEX E **EAST RENFREWSHIRE COUNCIL**

ORGANISATIONS APPROVED FOR THE INVESTMENT OF SURPLUS FUNDS

Banking / Building Society Group	Individual Counterparty	Limits Deposit	Transaction
Bank of England	Debt Management Office	£30m	£10m
	UK Treasury Bills	£5m	£5m
Barclays Banking Group	Barclays Bank plc	£5m	£5m
Goldman Sachs International Bank		£10m	£10m
Lloyds Banking Group:	Bank of Scotland plc Lloyds Bank of Corporate Mkt (NRF) plc	£10m	£10m
Royal Bank of Scotland Group:	Royal Bank of Scotland National Westminster Bank plc	£10m	£10m
Santander Group	Santander UK plc	£10m	£10m
Standard Chartered Bank		£10m	£10m
Nationwide BS Group	Nationwide BS Virgin Money plc (Clydesdale Bank)	£10m	£10m
Local Authorities			
All Local Authorities including Police & Fire (per fund)		£5m	£5m
Money Market Funds and Ultra-Short Dated Bond Funds Maximum limit of £10m per fund,		£60m	£10m

Credit Ratings

	Fitch LT	Fitch ST	Moodys LT	Moodys ST	S&P LT	S&P ST
Minimum Criteria	A-	F1	A3	P-1/P-2	A	A-1/A-2

(Unless Government backed)
(Please note credit ratings are not the sole method of selecting counterparty)

Limit

Investment of surplus funds is permitted in each of the above organisations, with the limits set on an individual basis by the Head of Finance (Chief Financial Officer).

The limit may only be exceeded or another organisation approved with written permission from the Head of Finance (Chief Financial Officer).

Deposit Periods

The maximum period for any deposit is currently set at 6 months, based on the MUFG Corporate Markets suggested Duration Matrix. These limits can only be exceeded with the written permission of the Head of Finance (Chief Financial Officer).

Hub scheme deposit periods are dependent on the lifetime of the associated scheme.

ANNEX F Environmental, Social and Governance (ESG) risk management

This Council is supportive of the Principles for Responsible Investment (www.unpri.org) and will seek to bring ESG (environmental, social and governance) factors into the decision-making process for investments. Within this, the Council is also appreciative of the Statement on ESG in Credit Risk and Ratings which commits signatories to incorporating ESG into credit ratings and analysis in a systemic and transparent way. The Council uses ratings from Fitch, Moody's and Standard & Poor's to support its assessment of suitable counterparties. Each of these rating agencies is a signatory to the ESG in the Credit Risk and Ratings statement, which is as follows:

> *"We, the undersigned, recognise that environmental, social and governance (ESG) factors can affect borrowers' cash flows and the likelihood that they will default on their debt obligations. ESG factors are therefore important elements in assessing the creditworthiness of borrowers. For corporates, concerns such as stranded assets linked to climate change, labour relations challenges or lack of transparency around accounting practices can cause unexpected losses, expenditure, inefficiencies, litigation, regulatory pressure and reputational impacts.*
>
> *At a sovereign level, risks related to, inter alia, natural resource management, public health standards and corruption can all affect tax revenues, trade balance and foreign investment. The same is true for local governments and special purpose vehicles issuing project bonds. Such events can result in bond price volatility and increase the risk of defaults.*
>
> *In order to more fully address major market and idiosyncratic risk in debt capital markets, underwriters, credit rating agencies and investors should consider the potential financial materiality of ESG factors in a strategic and systematic way. Transparency on which ESG factors are considered, how these are integrated, and the extent to which they are deemed material in credit assessments will enable better alignment of key stakeholders.*
>
> *In doing this the stakeholders should recognise that credit ratings reflect exclusively an assessment of an issuer's creditworthiness. Credit rating agencies must be allowed to maintain full independence in determining which criteria may be material to their ratings. While issuer ESG analysis may be considered an important part of a credit rating, the two assessments should not be confused or seen as interchangeable.*
>
> *With this in mind, we share a common vision* ***to enhance systematic and transparent consideration of ESG factors in the assessment of creditworthiness****."*

For short term investments with counterparties, this Council utilises the ratings provided by Fitch, Moody's and Standard & Poor's to assess creditworthiness, which do include analysis of ESG factors when assigning ratings. The Council will continue to evaluate additional ESG-related metrics and assessment processes that it could incorporate into its investment process and will update accordingly.

Typical examples of ESG factors that are considered by Credit Rating Agencies, such as Fitch, Moody's and Standard & Poor's when assigning credit ratings to counterparties are:

- ***Environmental:*** *Emissions and air quality, energy and waste management, waste and hazardous material, exposure to environmental impact.*

- ***Social:*** *Human rights, community relations, customer welfare, labour relations, employee wellbeing, exposure to social impacts.*

- ***Governance:*** *Management structure, governance structure, group structure, financial transparency.*

The credit ratings provided by these agencies are also used as the basis for selecting suitable counterparties.

GLOSSARY OF TERMS

CIPFA	Chartered Institute of Public Finance and Accountancy.
CIPFA Code	Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes.
CFR	Capital Financing Requirement is the estimated level of borrowing or financing needed to fund capital expenditure.
Fed	The Federal Reserve: the United States central banking system.
Gilts	A gilt is a UK Government liability in sterling, issued by HM Treasury and listed on the London Stock Exchange. The term “gilt” or “gilt-edged security” is a reference to the primary characteristic of gilts as an investment: their security. This is a reflection of the fact that the British Government has never failed to make interest or principal payments on gilts as they fall due.
MPC	Monetary Policy Committee.
Other Long Term Liabilities	Balance sheet items such as Public Private Partnership (PPP), and leasing arrangements which already include borrowing instruments.
PPP	Public-Private Partnership.
Prudential Indicators	The Prudential Code sets out a basket of indicators (the Prudential Indicators) that must be prepared and used in order to demonstrate that local authorities have fulfilled the objectives of the Prudential Code.
QE	Quantitative Easing.
SONIA	Sterling Overnight Interest Average: this is a risk-free rate for sterling markets administered by the Bank of England. SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.
Spread	A spread in trading terms is the difference between the buy (offer) and Sell (bid) prices quoted for an asset. Many brokers will quote their prices in the form of a spread.
Treasury Indicators	These consist of a number of Treasury Management Indicators that local authorities are expected to ‘have regard’ to, to demonstrate compliance with the Treasury Management Code of Practice.

AGENDA ITEM No. 5(c)

EAST RENFREWSHIRE COUNCIL

26 February 2025

Report by Director of Business Operations and Partnerships

DEFERRAL OF DECISION TO COUNCIL
HEALTH AND SOCIAL CARE PARTNERSHIP – CHARGING FOR NON-RESIDENTIAL CARE SERVICES IN 2025/26

PURPOSE OF REPORT

1. To consider the decision made by the Cabinet on 6 February 2025 regarding ***Health and Social Care Partnership – Charging for Non-Residential Care Services in 2025/26***, which has been deferred to Council, duly signed by five Elected Members as per the Council's agreed Call-in Procedure.

RECOMMENDATION

2. It is recommended that Council consider the Cabinet's decision regarding Health and Social Care Partnership – Charging for Non-Residential Care Services in 2025/26, in light of the terms of the deferral notice and any additional information provided at the Council meeting on 26 February 2025.

BACKGROUND

3. On 6 February 2025, the Cabinet considered a report by the Chief Officer (HSCP), a copy of which is attached at **Appendix 1** to this report, on Charging for Non-Residential Care Services in 2025/26.

4. Having considered the report and asked a series of questions, the Cabinet agreed to the implementation of Charging for Non-Residential Care For 2025/26 **as per the proposal outlined in paragraph 7 of the attached report, subject to the following amendments:-**

(a) The introduction of charging for non-residential care would have an implementation date of 1 July 2025;

(b) The charge be set at £20 per hour, subject to the ability to pay;

(c) The taper to consider the amount of a person's disposable income, after assessment, to be used toward the cost of care be set at 40%; and

(d) Cabinet also requested that the Chief Officer/Chief Financial Officer of the HSCP endeavour to mitigate the impact of any resultant deficit in setting the HSCP 2025/26 budget, whilst assuring that, should such steps not fully resolve any shortfall, the Cabinet would, on request, give positive consideration to address any in-year deficit.

5. In accordance with agreed procedures, a Notification of Decisions made at the Cabinet meeting on 6 February 2025, was issued to all Elected Members by email later that day.

REPORT

6. A request to defer the Cabinet's decision to East Renfrewshire Council dated 6 February 2025 was received on 10 February 2025, prior to the deadline of 4.45 p.m. The request to defer the decision was signed by Councillors Buchanan, Convery, Bamforth, Lundy and Merrick, with Councillor Buchanan being the lead signatory.

7. The request to defer the Cabinet decision listed the following reasons for the deferral to Council:-

> *"Paper should be reviewed and considered by full Council as we feel that this is not a fair charge for some of our most vulnerable residents".*

8. The alternative proposal to that agreed by Cabinet was highlighted as follows:-

> *"Alternative proposal will be subject to further information, more detail will follow as discussions on budget settlement continue"*

9. The Scottish National Party (SNP) Group has since provided a more detailed alternative proposal which is set out below:

> *"The SNP Group request that charging for non-residential care services be deferred until 26/27 budget and ask that the HSCP review the impact of the deferral on their proposed budget. This proposal will allow increased time for full consultation and impact assessment to be carried out with service users.*
>
> *We further propose that the Council support the HSCP by mitigating the cost using the predicted underspend from 24/25 financial year".*

10. In terms of the procedure for the consideration of a Cabinet decision that has been deferred to Council, Councillor Buchanan, as the lead signatory to the deferral notice, should be invited at the Council meeting to speak to the report, the Cabinet's decision and the Deferral Notice.

RECOMMENDATION

11. It is recommended that Council consider the Cabinet's decision regarding Health and Social Care Partnership – Charging for Non-Residential Care Services in 2025/26 in light of the terms of the deferral notice and any additional information provided at the Council meeting on 26 February 2025.

LOUISE PRINGLE
DIRECTOR OF BUSINESS OPERATIONS AND PARTNERSHIPS

Report Author
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This is the original report considered by Cabinet at its meeting on 6 February 2025. The Cabinet decision in terms of this paper has been deferred to Council in terms of the Council's agreed call-in procedure.

Agenda Item 5(c)
APPENDIX 1

EAST RENFREWSHIRE COUNCIL

CABINET

6 February 2025

Report by Chief Officer – Health and Social Care Partnership

HEALTH AND SOCIAL CARE PARTNERSHIP
CHARGING FOR NON_RESIDENTIAL CARE SERVICES 2025/26

PURPOSE OF REPORT

1. To update Cabinet on the proposed charges for non-residential care in the Health and Social Care Partnership (HSCP) for 2025/26, following discussion at Cabinet on 5 December 2024.

2. Cabinet will recall that the decision on implementation of this charge was deferred to allow time to consider any impact from the Scottish Governments draft budget announcement on 4 December 2024.

RECOMMENDATION

3. The Cabinet is asked to:

   (a) Agree the implementation of charging for non-residential care for 2025/26.

BACKGROUND

4. The legislation supporting the integration of health and social care determines that the authority and approval for setting charges for social care remains with the Council, this function is not delegated to the Integration Joint Board (IJB).

5. Cabinet received a report in December and agreed the rates for existing charges within the HSCP for 2025/26, however deferred the decision on the introduction of charges for non-residential care until February, to allow time to assess the impact of the draft Scottish Government budget announced on 4 December 2024.

6. As previously reported, the work of the Income Generation Short Life Working Group (IGSLWG) was established at the request of the IJB. This group was set up to explore the implementation of wider charging for non-residential care.

7. The IJB considered the charging proposals for 2025/26 at its meeting on 20 November 2024 and whilst with some reluctance, endorsed the recommendations as presented to Cabinet in December:

   - The introduction of charging for non-residential care, at that point with a proposed implementation date of 1 April 2025.
   - The charge set at £20 per hour, subject to the ability to pay.
   - The taper to consider the amount of a person's disposable income, after assessment, to be used towards the cost of care be set at 60%.

8. All charges are linked to the ability to pay and this is confirmed through financial assessment. There is a risk that some people may choose not to engage in this process and potentially pay the full cost of care, or withdraw from engagement with the HSCP. Given the East Renfrewshire population dynamic, some people may opt to engage in private arrangements entirely.

9. All charging proposals will be supported by the HSCP charging policy (this will be revised for non-residential care). This aligns with the current "COSLA NATIONAL STRATEGY & GUIDANCE; Charges Applying to Social Care Support for people at home 2024/2025 guidance" which provides a recognised framework. The policy will of course, be revised for any changes to this framework for 2025/26.

REPORT

10. The proposed charges for the HSCP implementation for non-residential care for 2025/26 are set out in this report, with a proposed implementation date of 1 July 2025, recognising the proposal to allow a three month notice period along with continued development work on the policy, reflecting the engagement and feedback from those who will be impacted.

11. The existing HSCP charging policy needs to be revised to reflect the required changes, subject to Cabinet decision and the policy will be finalised, reflecting the continued engagement with those who will be impacted. The policy will also reflect any changes that result from the COSLA guidance for 2025/26.

12. As we previously reported there have been a number of communication and engagement events with people who will be impacted by the proposals to charge for non-residential care. This engagement continues.

13. The December report to Cabinet included the feedback from all engagement events and from the questionnaire issued. Subsequent engagement to mid-January 2025 includes:

    - Continued complaint and enquiry responses.
    - Updating the dedicated web page - https://www.eastrenfrewshire.gov.uk/Info
    - Continued engagement and updates with key partners including the Carers Centre and SDS Forum.
    - Meetings with individual stakeholders and parents.

    Further engagement work that is in progress includes:

    - Ensuring we get feedback from groups who have not yet had the opportunity to participate, including direct engagement with people who have a learning disability directly, rather than from their carers/family. We have developed an accessible survey to support this.
    - Engagement with care providers who will facilitate engagement.
    - Development of a guidance and background information pack for providers to support this piece of work.
    - We have hosted two online sessions on 7 and 8 January with care providers to take them through this and support them with any questions.
    - We have made two animated videos - one aimed at people doing the survey and one for carers and care providers.
    - Ensuring we contact all those with Power of Attorney / guardians to make sure they have involvement. We did not do this correctly in the initial engagement.

14. The Frequently Asked Questions (FAQ) continues to be revised reflecting questions raised.

15. Although the Scottish Government budget announcement on 4 December 2024 was better than expected for the public sector, this did not address social care charging. Whist there were policy announcements in relation to the living wage and free personal nursing care uplifts, the HSCP will see equivalent costs associated with this funding. This means there is little scope to address existing and new costs pressures.

16. It is still our understanding that the Scottish Government's policy decision remains to abolish charging for non-residential care in the term of this parliament, so this leaves the IJB and the council in the same position as in December. The introduction of this charge is one of the few remaining options open to the IJB to meet the required savings of £1.5 million to help balance cost pressures. We also recognise that charging for non-residential care has been in place for a number of years across almost all local authorities in Scotland, including all of those we neighbour with. East Renfrewshire is clearly an outlier.

17. As previously reported the proposed charge for care and support is set at £20 per hour and this is a contribution towards the direct costs of care. The actual income that will be generated will depend on the outcome of the individual financial assessments that would be required.

18. The proposed charge for care and support is based on the ability to pay. A financial assessment looks at all income the person has, allows for a range of deductions recognising the costs of living incurred, identifies a "disposable amount" left over and then applies a taper to that disposable amount.

19. A taper is used to determine the percentage of the disposable income the person should keep and the percentage that should go towards paying for their care. The IJB previously agreed the proposed taper needed to be set at 60% and this is reflected in the draft charging policy, subject to Cabinet decision.

20. The Income Generation Short Life Working Group recommended that the taper for 2025/26 is set at 60% as this is the level our modeling assumptions showed is required to achieve the savings needed. The maximum taper level is 75%.

21. The table below shows the level of income we have modelled for a range of taper options. The modelled income is based on the estimated chargeable elements of care commitments, so excludes personal care and carer-related costs.

Taper Level	Modelled Income	Reduction v's 60% taper	Part Year Shortfall
	£m	£m	£m
75%	1.956		
60%	1.541		0.385
50%	1.264	0.277	0.316
40%	0.987	0.554	0.247
30%	0.710	0.830	0.178
25%	0.572	0.969	0.143

22. As you can see from the table above any reduction to the taper below the highlighted 60% will impact on the level of income achievable. The final column also shows the part year shortfall that will result from the revised proposed implementation date of 1 July 2025, delayed from the original proposal of 1 April 2025. For the 60% taper level this

shows that of the modeled income of £1.541 million in a full year would reduce to £1.156 million in 2024/25.

23. We know that a neighbouring council has set its taper levels at 75% and benchmarking for 2023/24 suggests a Scotland wide average of 64% for 2023/24.

24. Cabinet will recall the policy recognises there will be certain circumstances where it is not appropriate to charge for a service and also sets a proposed ceiling to ensure that those with the most complex needs, whose cost of care is normally higher, are not disproportionally disadvantaged.

25. The HSCP work closely with the council's Money Advice and Rights Team (MART) and we will continue to do so with a focus on income maximisation for individuals. MART will also be invaluable in support and training as we prepare for implementation following the Cabinet's decision.

FINANCE AND EFFICIENCY

26. The proposed charges should generate income of c£1.5 million in a full year and c£1.2 million for the nine month period in 2025/26.

27. Should this charge not be agreed, the IJB will need to seek alternative proposals to reduce costs, which will still result in a significant impact on other services.

CONSULTATION

28. The engagement activity has helped inform the Equalities, Fairness and Rights impact assessment, as previously reported. Engagement activity continues.

29. The Chief Financial Officer has consulted with our partners and will continue to work in partnership with colleagues to develop and implement the expansion of non-residential charging, preparing for 2025/26 and subject to ERC Cabinet decisions.

30. The Council's Money Advice and Rights and Debtors teams are aware of the proposals and will continue close working to ensure that future impact to workloads is fully considered.

PARTNERSHIP WORKING

31. The setting of fees and charges remains a responsibility of East Renfrewshire Council under the legislation. As reported, the IJB endorsed the proposals at its meeting on 20 November 2024.

IMPLICATIONS OF THE PROPOSALS

32. The equalities, fairness and rights impact assessment has been completed reflecting information from engagement events.

33. There are no direct implications in relation to staffing, property, legal, sustainability or IT as part of this paper. However, it should be noted that Council is supporting the HSCP with Invest to Save funding for a fixed term post to support the implementation of non-residential charging for services.

34. There is a significant risk to the ability of the IJB to set a balanced budget for 2025/26 without the implementation of this charge. The part year shortfall for 2025/26 needs to be considered as part of the proposed IJB budget for the year. If the IJB is unable to generate the required level of income from this proposal it will need to seek alternative proposals to reduce costs by c£1.5 million on a recurring basis. This will result in a significant impact on other services.

CONCLUSIONS

35. The Cabinet previously agreed the changes to the existing HSCP charges in December 2024. The proposed non-residential care charge for 2025/26 is required to meet the £1.5 million income target required by the HSCP in a full year. The Charging Policy will be finalised to reflect the Cabinet decision, the ongoing engagement work and any changes from the COSLA framework for 2025/26.

RECOMMENDATIONS

36. The Cabinet is asked to:

(a) Agree the implementation of charging for non-residential care for 2025/26.

REPORT AUTHOR AND PERSON TO CONTACT

Lesley Bairden, Head of Finance and Resources (Chief Financial Officer)
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0141 451 0749

Chief Officer, IJB: Julie Murray

19 January 2025

BACKGROUND PAPERS

Cabinet 05.12.2024: HSCP Charging for Services 2025/26
https://www.eastrenfrewshire.gov.uk/media/11007/Cabinet-Item-4-5-December-2024/pdf/Cabinet_Item_4_-_5_December_2024.pdf?m=1732270393647

Cabinet 03.10.2024: HSCP Charging for Services 2024/25 and Beyond
https://www.eastrenfrewshire.gov.uk/media/10752/Item-05-HSCP-Charging-for-Services-in-2024-25-and-Beyond/pdf/Item_05_-_HSCP_-_Charging_for_Services_in_2024-25_and_Beyond.pdf?m=1726746630563

AGENDA ITEM No. 6

EAST RENFREWSHIRE COUNCIL

26 February 2025

Report by Director of Business Operations and Partnerships

PROVOST'S ENGAGEMENTS

PURPOSE OF REPORT

1. To advise the Council of the civic engagements carried out by Provost Montague or Deputy Provost Campbell where indicated, since the meeting of the Council on 11 December 2024.

RECOMMENDATION

2. It is recommended that the Council notes the report.

REPORT

3. Since the Council meeting on 11 December 2024, Provost Montague, or Deputy Provost Campbell where indicated, have carried out the civic engagements as listed below:-

12 December	Attended ACCORD Christmas Carol Service, Paisley Abbey
13 December	Attended Glasgow Philharmonic Choir Concert, Orchardhill Parish Church, Giffnock
14 December	Attended Ukrainian Christmas Event, Park Church, Giffnock
15 December	Attended Chanukah Event, Clarkston Halls, Clarkston
16 December	Hosted a Citizenship Ceremony, Council Headquarters, Giffnock
18 December	Attended East Renfrewshire Culture and Leisure Vitality Programme Morning Party, Carmichael Hall, Giffnock
18 December	Attended East Renfrewshire Culture and Leisure Vitality Programme Afternoon Party, Carmichael Hall, Giffnock
22 December	Attended a Diamond Wedding Celebration, Newton Mearns
12 January	Attended an Unbreakable Bond Book Launch, Giffnock Synagogue
22 January	Deputy Provost Kate Campbell hosted a Citizenship Ceremony, Council Headquarters, Giffnock
22 January	Attended Opening of Crookfur House, Newton Mearns
25 January	Attended a Holocaust Memorial Day Service, Glasgow Reform Synagogue
29 January	Attended East Renfrewshire Council's Holocaust Memorial Event, St Ninian's High School

30 January	Attended National Holocaust Memorial Day Service, Scottish Parliament, Edinburgh
2 February	Attended Celebration of Achievements of Clyde Region Scouts
7 February	Attended the Funeral of a former East Renfrewshire Councillor
12 February	Attended Healthy Heart Week Event, Giffnock Primary School
12 February	Attended Healthy Heart Week Event with Parents, Giffnock Primary School
14 February	Attended St Valentine's Day Event, Giffnock Primary School
24 February	Attended a Photocall and Site Tour of Regeneration Area, Main Street, Thornliebank
25 February	Hosted a Citizenship Ceremony, Council Headquarters, Giffnock

RECOMMENDATION

4. It is recommended that the Council notes the report.

Louise Pringle
Director of Business Operations and Partnerships

Report Author
Linda Hutchison, Senior Democratic Services Officer (Tel 0141 577 8388)
E-mail linda.hutchison@eastrenfrewshire.gov.uk

Background papers - None

AGENDA ITEM No. 7

EAST RENFREWSHIRE COUNCIL

26 February 2025

Report by Chief Executive

BEST VALUE: EAST RENFREWSHIRE COUNCIL –
REPORT BY CONTROLLER OF AUDIT

PURPOSE OF REPORT

1. This report presents Members with a copy of East Renfrewshire Council's Controller of Audit Report for Best Value, published by the Accounts Commission in February 2025.

RECOMMENDATIONS

2. It is recommended that Council:

a) notes the Controller of Audit's Best Value Report as attached at Appendix 1; and
b) commends the positive findings of the Accounts Commission on Best Value delivered by East Renfrewshire Council as detailed on pages 4-5 of Appendix 1.

BACKGROUND

3. It is a statutory requirement for local authorities in Scotland to deliver Best Value across all their activities and it is the responsibility of the Accounts Commission to scrutinise this and report on whether councils are delivering on this duty.

4. East Renfrewshire's last Best Value Assurance report was completed in 2017, with follow-up reports to Cabinet on the resulting action plan in 2018 and 2019. All actions arising have been concluded.

5. In 2023, Audit Scotland announced a change to the national approach to auditing Best Value. This fully integrated Best Value audit work into the wider scope audit work which is completed annually within each council. This was aimed at increasing impact and efficiency, as well as reducing the scrutiny burden on councils. This has resulted in short annual 's102' reports on Best Value thematic work, most recently 'Workforce Innovation', alongside the Annual Audit Report. The latest thematic report for East Renfrewshire was considered by Audit & Scrutiny Committee in September 2024.

6. In addition to these annual reports, the Accounts Commission committed to considering a report on each council at least once over the five-year audit appointment. Today's report presents East Renfrewshire's Controller of Audit report.

REPORT

7. The Controller of Audit's report is attached at Appendix 1 with Audit Scotland's Controller of Audit concluding that the Council has made consistently good progress with actions from previous Best Value reports, developing action plans to address the previous recommendations.

8. The report is derived from the 2023/24 Annual Audit Report and Thematic Report on Workforce Innovation, with some references to previous best value audit work. As such, Members may be familiar with the content and messages included in the report.

9. The report was presented to the Accounts Commission, Scotland's "Public Spending Watchdog," at their meeting on 16 January 2025, where the report was positively received. The Commission welcomed and endorsed the Controller of Audit's report on Best Value in East Renfrewshire Council and the recommendations made by auditors. Following consideration of the reports at its meeting on 16 January 2025, the Accounts Commission made the following headline findings, with further detail available in Appendix 1 (pages 4-5):

- The Commission is impressed by the consistently strong performance of East Renfrewshire Council.
- The Council has the building blocks in place in relation to long-term financial planning.
- The Commission notes the prudent approach to financial management adopted by the Council.
- The Council has taken an incremental approach to the transformation of service delivery over recent years, including through its digital transformation programme and investment in data analysis.
- The Commission is particularly encouraged to see that the Council's performance is extremely strong, even when compared to other similar councils in its Local Government Benchmark Framework 'family group'.
- In relation to its workforce, the council has taken proactive steps including a refreshed People Strategy and workforce planning approach, a Health and Wellbeing programme, and benchmarking against other Scottish councils in relation to its hybrid working policy.

10. The Commission noted the need for further savings and income plans for the years ahead including monitoring the impact on service users; further work on in-year budget monitoring; the need to build on strong partnerships to deliver innovation and change in the next phase of transformation; and the importance of measuring the impact of investment in the Council's workforce.

11. There was a follow-up meeting with Accounts Commission representatives to discuss the report, as is standard practice with these audits.

12. Progress on best value will be monitored through the Council's annual external audit work in September each year and the theme for this year's national focus is 'Transformation'.

CONCLUSION

13. This report is a very positive independent overview of East Renfrewshire Council. The Accounts Commission press release accompanying the report, titled "East Renfrewshire Council's services excel", states that: "With high performing services, excellent engagement with local communities and strong relationships with key partners, East Renfrewshire Council is an exemplar to others".

14. The Corporate Management Team, Leader of the Council and Vice Chair of the Audit & Scrutiny Committee met with members of the Accounts Commission to discuss the report and any matters arising. It was agreed that the newly launched 'Place to Grow' community planning vision, our People Strategy, and our new medium term financial strategy give us a clear focus and a clear direction for the future to ensure that East Renfrewshire remains one of the best places to live and work in Scotland.

15. This report is a credit to our employees, elected members and partners both past and present, and our thanks go to them for their hard work, commitment and dedication.

RECOMMENDATIONS

16. It is recommended that Council:

a) notes the Controller of Audit's Best Value Report as attached at Appendix 1; and
b) commends the positive findings of the Accounts Commission on Best Value delivered by East Renfrewshire Council as detailed on pages 4-5 of Appendix 1.

Chief Executive

February 2025

Report Author
Louise Pringle, Director of Business Operations & Partnerships (Tel 0141 577 3136) Louise.pringle@eastrenfrewshire.gov.uk

Background Papers

- Local External Audit Report – Best Value Thematic Report on Workforce Innovation, Audit & Scrutiny Committee, 26 September 2024
- External Auditor's Report on the Best Value Thematic Report for Year-Ended 31 March 2023 – Leadership and Development of New Local Strategic Priorities, Audit & Scrutiny Committee, 26 September 2023
- Best Value in Scotland – 20 years of auditing Best Value and next steps in Best Value reporting in Scottish councils, Audit Scotland, September 2023
- Best Value Assurance Report – Action Plan Update, Cabinet, 25 April 2019
- Best Value Assurance Report – Action Plan Update, Cabinet, 26 April 2018
- East Renfrewshire Council – Best Value Assurance Report, Council, 13 December 2017.

Best Value

East Renfrewshire Council

ACCOUNTS COMMISSION

Prepared by the Controller of Audit
February 2025

Contents

Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Key facts

	67	Square miles
	97,160	Population
	3,968	Workforce (FTE)
	18	Elected members 5 Labour, 5 Conservative, 5 SNP, 3 Independent (Labour led minority administration)
	£32.2m	Savings required by 2024/25 – 2026/27
	£285m	Net revenue expenditure 2023/24
	£46.5m	Capital investment 2023/24

Commission findings

The Accounts Commission is pleased to endorse the Controller of Audit's report on Best Value in East Renfrewshire Council (presented at page 6) and the recommendations made by the auditors. Following consideration of these reports at its meeting on 16 January, the Commission has made the findings presented below:

1 The Commission is impressed by the consistently strong performance of East Renfrewshire Council across a broad range of corporate and service areas, against the context of recent leadership changes. Notable examples of good practice include cross-party working, budget scenario planning (despite single year settlements), relationships with health and other key partners, community engagement, strategic planning and performance management. This is a good example of a small urban council delivering high-quality services to its residents, despite financial constraints.

2 The council has the building blocks in place in relation to long-term financial planning – early engagement with communities, a cross-party budget strategy group (including a representative from its Integration Joint Board (IJB)), identification of challenges, budget scenario planning and outline revenue financial plans up to 2030. The Commission would now expect to see the council develop detailed income and savings plans for the years ahead to ensure the council can meet its strategic objectives. Tough decisions linked to transformation now need to be taken to secure the council's financial sustainability over the longer term.

3 The Commission notes the prudent approach to financial management adopted by the council. The Commission is keen to see further work on in-year budget monitoring to ensure elected members get the most accurate and timely information, including in relation to additional income sources, to support them in making key decisions during the year.

4 The council has taken an incremental approach to the transformation of service delivery over recent years, including through its digital transformation programme and investment in data analysis. This analysis has enabled a deeper understanding of East Renfrewshire's communities and has allowed services to be targeted towards the most vulnerable. Given its size and scale, likely future demand and

financial constraints, the council will need to build on its strong track record and relationships with the IJB and community planning partners to drive the innovation and scale of change required in its next phase of transformation.

5 The Commission is particularly encouraged to see that the council's performance is extremely strong, even when compared to other similar councils in its Local Government Benchmarking Framework (LGBF) 'family group'. This includes performance in key areas like education, emissions, hospital admissions and affordable housing. The impact of financial challenges and savings plans including within the IJB will need to be monitored closely, and the council and IJB will need to ensure it fully understands the impact on outcomes for service users.

6 In relation to its workforce, the council has taken proactive steps including a refreshed People Strategy and workforce planning approach, a Health and Wellbeing programme, and benchmarking against other Scottish councils in relation to its hybrid working policy. Despite these initiatives, the Commission is concerned about the low response rates to the staff wellbeing survey. Given the importance of having an engaged workforce, the Commission expects the council to continue to use key metrics such as absence rates and turnover to monitor and scrutinise employee engagement, ensuring a return on its investment and a positive impact on staff.

Controller of Audit report

1. This report is made by the Controller of Audit to the Accounts Commission under Section 102(1) of the amended Local Government (Scotland) Act 1973. It is based on evidence collected in the 2022/23 and 2023/24 annual audits of the council, with the latter reported in September 2024. Appendix 1 includes links to the 2022/23 and 2023/24 Annual Audit Reports (AAR) and Appendix 2 includes a link to the Best Value Statutory Guidance.

2. The reporting of Best Value is undertaken through the annual audit of each council and includes detailed work focusing on a Scotland-wide theme. The Best Value theme for 2022/23 was councils' leadership of the development of new local strategic priorities while the 2023/24 theme focused on workforce innovation.

3. East Renfrewshire Council (the council) continues to demonstrate a commitment to continuous improvement and has made consistently good progress in delivering recommendations from previous Best Value reports.

4. The council has an established long-term planning framework in place with the Community Planning Partnership that ensures the vision and strategic priorities are aligned across partners. The Community Plan, 'A Place to Grow' was approved in September 2024, setting the partnership's vision for the period to 2040. The vision is based on three strategic pillars, which refocus and prioritise the previous five strategic outcomes. The council's own medium-term planning framework will be aligned to the priority themes, and a detailed three-year delivery plan is expected to be considered in April 2025.

5. The council has drawn upon significant stakeholder engagement and engagement with partners to refine and refresh the vision for the area. This included targeted research and community engagement, interviews with resident and community groups, along with businesses and key stakeholders. The council demonstrates its understanding of its communities, including key equalities groups. As a result, the council's strategic planning adopts cross-cutting themes of equality and inclusion. A Place to Grow identifies themes of inclusion across every area of the plan and human rights are incorporated into the council's Equality, Fairness and Rights Impact Assessments.

6. It has also invested in data analysis tools to ensure it builds a deeper understanding of communities and vulnerabilities allowing services to be more targeted at a local level. There are clear links between the outcomes of this engagement and the themes that form the basis of the refreshed vision.

7. The council has undergone a period of significant change in both the officer leadership team and elected members. It has taken steps to ensure that the respective roles and strategic priorities are well understood. The council has developed and delivered a programme of essential scrutiny skills training for elected members and refreshed the induction and training programme following the 2022 elections. There are strong examples of effective cross-party working, examples include the cross-party budget strategy group and cross-party support for the direction of travel for the council's longer-term strategic plan. The council has demonstrated good oversight and support of the East Renfrewshire Integration Joint Board (IJB), which has faced financial challenges, and the council has provided financial support to the IJB. The Chief Officer and Chief Financial Officer of the IJB attend the council's budget strategy group.

8. The 2023/24 annual audit noted that the council recorded a deficit on the provision of services of £10.3 million before the budgeted application of reserves (£10.2 million). The outturn performance was broadly in line with the approved budget but reflects significant movements within individual reserves. This continues a trend of significant underspends, beyond the level reported to elected members throughout the financial year. In 2022/23, auditors recommended improvements to budget monitoring and forecasting. While the council's approach ensures that actual spend is compared to budget, it does not take into account additional income sources that may become available until outturn reporting. While this means that budget monitoring remains prudent and there is a reduced risk of overspends, it does mean that the financial outturn may be better than elected members could reasonably expect throughout the financial year. The auditors have concluded that the council's publicly available budget papers set out key financial information clearly Exhibit 1 (page 8).

9. The council has a good track record of making savings and has achieved £25.2 million of recurring savings over the past five years, including £3.9 million in 2023/24. The council demonstrates good practice regarding the identification and delivery of savings. Plans were informed by significant public consultation on savings options for 2023-26 and the council enters into early discussions with cross-party elected members to support a phased agreement of savings before the formal budget-setting meeting.

Exhibit 1.
East Renfrewshire Council – key financial information for 2022/23, 2023/24 and 2024/25

	2022/23 (£m)	2023/24 (£m)	2024/25 (£m)
Budget gaps	9.5	18.1	12
Planned to be met via:			
• Recurring savings	2.2	4.1	3.1
• Use of reserves	5.3	–	0.8
• Increase in Council Tax	2.1	3.8	–
• Funding for Council Tax freeze	–	–	3.1
• Use of service concessions reserve	–	10.2	5.0
Actual savings	2.2	3.9	–
Actual use of reserves	5.3	10.2	–
Reserves balance	52.1	41.8	–

Source: East Renfrewshire Council Revenue Budget papers for 2021/22, 2022/23 and 2023/24

10. The council continues to prepare an outline revenue financial plan (the most recent, from February 2024, covers the period 2024-30) and draws upon scenario planning to prepare for the scale of the budget gaps ahead. Alongside the outline revenue plan, the council prepares a three-year financial plan. The current projected gap for 2025/26 is £15.1 million, falling to £5.1 million in 2026/27, though uncertainties remain. The gap will be partly bridged using the remaining balance available in the council's Service Concessions reserve (£2.3 million), but there is still a significant future budget gap to be addressed by council tax increases and the identification of recurring savings.

The council should continue its development of a realistic and costed medium-term financial plan that supports the delivery of strategic objectives while recognising significant future uncertainty.

11. The 2023/24 annual audit noted that the council's reserves balances fell in 2024/25, in line with the council's budget strategy. As in prior years, operational underspends were used to replenish reserves and while the council's reserves fell by £10.3 million overall, the unearmarked General Reserves increased by £0.6 million, to £7.3 million. This represents 2.3 per cent of the council's annual budgeted net revenue expenditure and is within the target level set in the council's Reserves Policy. As of 2023/24, the level of General Fund reserves held by the council was £41.8 million (£52.1 million in 2022/23).

12. The council balanced the 2024/25 budget using £5 million of financial flexibilities and savings of £3.1 million. The council's approach to public consultation and early consideration by the cross-party budget strategy group meant that £2.1 million of the required savings were approved prior to the 2024/25 budget-setting meeting. Similar plans are in place to secure early savings in advance of the 2025/26 budget, including £0.5 million approved to date by the council.

13. The council has taken advantage of the opportunity presented by reduced pension contributions to establish an Investment in the Future reserve, allowing investment in areas that can provide recurring benefits. The total one-off resource available to the council is estimated at £12.6 million. Clear criteria has been set for the use of the fund, including sustainability, alignment to the overall strategic priorities and projects should support spend to save initiatives or investment and development of the workforce. A further £2 million has been set aside to support the next phase of the council's transformation.

14. In recent years, the council has seen its digital transformation programme (DTP) as a key mechanism to drive change and help deliver savings across all services. The current DTP was launched in April 2022, which replaced the previous Modern Ambitious Programme and combines the themes of data, modernisation and digital change across three main programmes of work: customer experience, workforce productivity, and business systems and processes.

15. Projects delivered to date include automation projects, the development of management dashboards, significant system changes and upgrades, the roll-out of hand-held devices for frontline staff, including those in social care, and the implementation of a housing management and revenue/benefits system. The council reports on outcomes from the programme on an annual basis and note that productivity gains in 2023/24 included over 10,000 hours of staff time (equivalent to over six full-time equivalent (FTE) roles) across the organisation, and a further seven FTE in cost avoidance measures.

16. The DTP has incorporated co-design with communities and the council carried out several customer feedback sessions and received feedback from customers when designing or redesigning processes, allowing greater understanding of the problems customers face and what matters to them most.

17. The council's ten-year capital plan includes a programme of investment of £240 million, focused on significant investments in the learning estate, leisure facilities, and information and communications technology (ICT) projects. The plan identified £25.5 million for improvements necessary to council property, including energy efficiency measures. In line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management, the Audit and Scrutiny Committee is responsible for ensuring effective inspection of treasury management activities. The council recognises the revenue implications of borrowing and the capital programme is considered by the budget strategy group.

18. The council has benefitted from a programme of Glasgow City Region City Deal projects that are intended to stimulate economic growth in East Renfrewshire and allow improved public transport routes across the area, aligned to the Get to Zero (GTZ) Plan. East Renfrewshire's City Deal programme (M77 Strategic corridor) will result in a total investment of £44 million comprising £38 million from the Scottish and UK governments and co-funded by the council's £6 million capital contribution. The 2023/24 annual audit noted that the council's significant City Deal investments made progress in 2023/24.

19. The council refreshed its approach to workforce planning in 2023/24 to support the development of its strategic planning framework, A Place to Grow. As part of the updated arrangements, a People Strategy has been developed to support the council's aim to become a learning organisation.

20. The council has made recent improvements to further strengthen workforce planning arrangements within service improvement planning documentation. This process supports the identification and understanding of specific risk areas within services and allows escalation to the Organisational Development Board (ODB).

21. The Corporate Management Team (CMT) maintains good oversight over workforce planning and the development of key skills and capabilities to support wider strategic planning via the ODB. Elected members are kept aware of elements of workforce planning that may impact strategic planning. There are key indicators that may impact the council's ability to deliver the improvements envisaged in the People Strategy, such as the age profile and turnover of staff. These indicators are available for managers to support the delivery of their service but are not currently reported regularly to elected members. There is scope to further improve elected members' understanding with inclusion of a more comprehensive workforce planning summary to be included in the annual financial planning report for elected members in March 2025.

22. The council transformed the technology available to employees to support home working through the pandemic and has a hybrid working policy in place to support employees who can work at home for part of the week. Main council offices are being refurbished to support modern, flexible, digital working. A review has been completed to benchmark the council's practices with other Scottish local authorities and a report detailing an overview of the advantages and disadvantages of working from home, drawing on local experience and the findings of research on this issue at a more national level, was presented to the Audit and Scrutiny Committee in September 2024.

23. The council's updates to service improvement planning processes are supporting it to gather additional data about the current workforce and challenges identified by individual services. In addition, the introduction of data dashboards ensures that up-to-date indicators are directly available to the managers of individual services.

24. The employee survey response rate was lower than the council anticipated, and further work is under way to increase staff engagement, improve participation rates and facilitate effective monitoring, with more comprehensive reporting planned for elected members in March 2025.

25. The partnership working arrangements are good and the council continues to work collaboratively with bodies across the sector, including the Glasgow City Region to maximise the opportunities to increase capability. A Regional Local Government Skills Working Group is working with the University of the West of Scotland to launch courses to respond to the shortage in planning skills. The group is also addressing skills gaps in other areas such as trading standards, health and social care.

26. The council has committed to achieving net zero by 2045 and published its GTZ action plan in February 2024 that sets out its approach that will mean significant change to the fleet and estate and acknowledges that there will be residual emissions by 2045. The council will continue to work towards the full costing of its GTZ action plan and has set aside a further £0.2 million in year to prepare assessments. The balance on this reserve as at 31 March 2024 was £0.6 million. The council is aware that this remains an area of risk. As a result, the council acknowledges that the pledges within the GTZ action plan are unlikely to be achievable without additional funding. The council should continue to work towards fully costing the investment plans necessary to deliver net zero by 2045.

27. The council regularly reports on its performance. A comprehensive Performance Framework is in place to report on performance against the strategic outcomes within the previous Strategic Plan. The annually-refreshed Outcome Delivery Plan provides a direct link to the priorities within the Community Plan. The Annual Performance Report for 2023/24 was published in September 2024. The council considers a six-monthly strategic performance report mapped to the strategic outcomes and updating on the Outcome Delivery Plan. This includes an assessment of performance against targets, along with trend information and a description from the service including reasons for slippage against targets.

28. The council reported that it delivered 76 per cent of targets against the strategic outcomes within the Outcome Delivery Plan in 2023/24. Key achievements include:

- educational achievement, where the council has consistently high performance in primary and secondary, strong inspection evaluations from Education Scotland and very high levels of young people going to positive destinations, while its multiagency childrens' services have been rated 'excellent'
- the reduction of operational emissions by eight per cent
- exceeding the target to build 270 new affordable homes over the period 2017-23 (413 were completed in partnership between the council and its social housing partners)
- meeting the target 65 per cent of Citizens' Panel respondents who reported that they are satisfied with services.

29. The council reports on overall benchmarking with other Scottish local authorities. National benchmarking data shows that the council performs above the Scottish average in 64 per cent of indicators. Of the 95 LGBF indicators for 2022/23 reported in May 2024 to East Renfrewshire's Cabinet, the council ranked first or second in 25 per cent (ranked first in 16 and second in eight indicators). There are key strengths in adult social care, including the proportion of adult care services graded 'good' or better (first nationally); the second lowest rates of readmission to hospital following discharge; and the response to climate change including the percentage of waste recycled and emissions from transport.

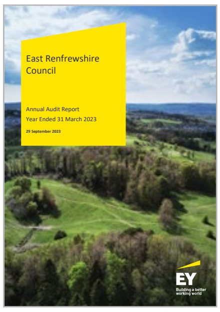
Appendix 1

2022/23 and 2023/24 Annual Audit Reports

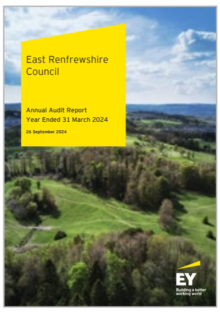
These reports summarise the findings from the 2022/23 and 2023/24 annual audits of East Renfrewshire Council.

Each Annual Audit Report comprises:

- significant matters arising from the audit of the council's Annual Accounts
- conclusions on the council's performance in meeting its Best Value duties
- conclusions on the following wider scope areas that frame public audit as set out in the Code of Audit Practice 2021:
  - Financial management
  - Financial sustainability
  - Vision, leadership and governance
  - Use of resources to improve outcomes.



2022/23 Annual Audit Report
East Renfrewshire Council
September 2023



2023/24 Annual Audit Report
East Renfrewshire Council
September 2024

Appendix 2

Best Value Statutory Guidance

The Local Government in Scotland Act 2003 introduced a statutory framework for Best Value for local authorities. The Best Value duties set out in the Act are:

- to make arrangements to secure continuous improvement in performance (while maintaining an appropriate balance between quality and cost); and, in making those arrangements and securing that balance, to have regard to economy, efficiency, effectiveness, the equal opportunities requirement and to contribute to the achievement of sustainable development
- to achieve break-even trading accounts, subject to mandatory disclosure
- to observe proper accounting practices
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ISBN 978 1 915839 62 6

AGENDA ITEM No. 8

EAST RENFREWSHIRE COUNCIL

26 February 2025

Report by Head of Finance (Chief Financial Officer)

MEDIUM TERM FINANCIAL STRATEGY 2025 - 2030

PURPOSE OF REPORT

1. The purpose of this report is to provide an update on the financial outlook facing the Council and seek approval of Medium Term Financial Strategy covering the five years from 2025/26 to 2029/30, attached as an appendix.

RECOMMENDATIONS

2. It is recommended that the Council:

- note the financial outlook, budget projections and key assumptions for financial planning from 2025/26 to 2029/30, set out within the appendix; and
- approve the Medium Term Financial Strategy 2025 – 2030.

BACKGROUND

3. East Renfrewshire Council has undertaken long-term financial planning for many years, which has included producing a Financial Planning document each year, forecasting financial resource levels for the next six years. Traditionally this document has been presented at the annual budget meeting, with the last document approved on 28 February 2024.

4. Capital planning is undertaken over a rolling ten-year period, reflecting the contents of the Capital Investment Strategy, and the need to plan infrastructure over a longer period. The Capital Investment Strategy covers the period 2024 – 2034, and was last updated in February 2024.

5. The Council has also previously had a separate Reserves Policy, which is required to be reviewed and approved no less frequently than three yearly by the Council. This policy was last approved on 28 February 2024.

6. This year, the Financial Planning document has been refreshed to form the Medium Term Financial Strategy (MTFS) 2025 – 2030.

7. The MTFS sets out the Council's strategic approach to the management of its finances and the wider context within which these plans have been developed. It also links with the Community Planning Partnership's shared vision, set out in 'A Place to Grow', which was approved in September 2024.

8. The strategy will be used as the framework for setting detailed budgets to ensure these resources are effectively managed and allocated to enable the Council to meet its statutory responsibilities and deliver on key priorities.

9. This strategy also includes the Council's reserves policy, which will no longer be presented as a separate document. This policy will be updated and approved annually as part of the annual update of the MTFS.

10. The Council's agreed financial policy states that "the Council will make spending decisions based on an assessment of medium to long-term needs and consequences, and will seek to avoid taking a short-term outlook in its policy making, service planning and budget setting decisions." Whilst it is intended that the Council adopt a longer-term budgeting approach in future, the lack of multi-year budget information from the Scottish Government has resulted in the Council having to set only a single year budget for 2025/26, accompanied by high level projections covering the four years to 2029/30, which are set out in the MTFS.

FINANCIAL OUTLOOK

11. This Council continues to face financial challenges. As one of the fastest growing Councils in Scotland, there are increasing demands for Council services which have not been matched by real terms funding increases over the last decade. In addition to this, as with all public bodies, the Council has seen the cost of delivering services increase significantly as a result of high inflation, rising interest rates and the impact of turbulence in global markets on areas such as energy and construction. Whilst the 2025/26 settlement was better than expected, local government continues to face uncertainty surrounding future funding settlements. This is compounded by the service pressures the Council continues to face as a result of factors such as the cost of living crisis and demographic change.

12. The Council receives a significant proportion of its funding from the Scottish Government. The UK Government made its autumn Budget Statement on 30 October 2024, and advised that a multi-year spending announcement covering the period 2026 to 2030 is anticipated in spring 2025. The Scottish Government 2025/26 Budget was published on 4 December 2024, with the draft local government finance settlement issued on 12 December 2024. The budget contains details of a one-year settlement covering 2025/26 only, which means that uncertainty remains from 2026/27 onwards. Given the ongoing pressure on the Council's finances, it is likely that the gap between available resources and the cost of delivering Council services will not be met by Scottish Government funding alone, meaning that the Council will need to find ways to further reduce its cost base, grow income streams and increase Council Tax to close the gap.

13. This MTFS sets out the budget projections for the next five years and reflects an anticipated cumulative funding gap of £12.8m by 2029/30, on the basis of an assumed 8% Council Tax increase in 2025/26 and a 3% increase each year thereafter, but before application of any new savings or drawdown from general reserves in these years.

14. The Council has a good track record of making savings and has achieved recurring savings of £34.22m in the last six years. As a result of this, it will not be possible to close future budget gaps through efficiencies alone. Reduced resources will need to be directed to provide maximum impact, deliver the Council's 'Place to Grow' vision and improve financial sustainability.

MEDIUM TERM FINANCIAL STRATEGY

15. The key areas in the strategy include:

- the current economic context, including information arising from the UK Government Autumn Budget Statement in October 2024 and the Scottish Budget announcement in December 2024;
- the local context in which the Council is operating;
- financial scenario planning and key assumptions setting out the projected revenue funding gap over the next five years;
- an updated reserves position and policy; and
- the strategy to close the projected funding gaps over the medium-term.

16. The strategy will be updated on an annual basis.

CONCLUSIONS

17. In view of the financial and demand pressures facing the Council over the next five years, it is essential that this financial strategy is updated regularly for consideration by the Council. This is in line with the Council's agreed financial policy of basing decisions on an assessment of medium to long-terms needs and consequences.

RECOMMENDATIONS

18. It is recommended that the Council:

- note the financial outlook, budget projections and key assumptions for financial planning from 2025/26 to 2029/30, set out within the appendix; and

- approve the Medium Term Financial Strategy 2025 – 2030.

Further information is available from K Stanners, Head of Finance, phone 0141 577 3035.

EAST RENFREWSHIRE COUNCIL

MEDIUM TERM FINANCIAL STRATEGY 2025 – 2030

February 2025

1. Introduction

1.1 The Financial Strategy sets out the Council's strategic approach to the management of its finances and the wider context within which these plans have been developed. It also links with the Community Planning Partnership's shared vision, set out in 'A Place to Grow', which was approved in September 2024. The strategy will be used as the framework for setting detailed budgets to ensure these resources are effectively managed and allocated to enable the Council to meet its statutory responsibilities and deliver on these key priorities.

1.2 This strategy covers the five-year period from 2025/26 and has been developed in the context of the continuing financial challenge faced by the Council. As one of the fastest growing Councils in Scotland, there are increasing demands for Council services which have not been matched by real terms funding increases over the last decade. In addition to this, as with all public bodies, the Council has seen the cost of delivering services increase significantly as a result of high inflation, rising interest rates and the impact of turbulence in global markets on areas such as energy and construction. Whilst the 2025/26 settlement was better than expected, local government continues to face uncertainty surrounding future funding settlements. This is compounded by the service pressures the Council continues to face as a result of factors such as the cost of living crisis and demographic change.

1.3 The Council receives a significant proportion of its funding from the Scottish Government. The UK Government made its autumn budget statement announcement on 30 October 2024, and advised that a multi-year spending announcement covering the period 2026 to 2030 is anticipated in spring 2025. The Scottish Government 2025/26 budget was published on 4 December 2024, with the draft local government finance settlement issued on 12 December 2024. As with previous years, the national funding settlement will remain in draft until it passes through the parliamentary scrutiny process in the Scottish Parliament. The final position is likely to be confirmed towards the end of February 2025. The budget contains details of a one-year settlement covering 2025/26 only, which means that uncertainty remains from 2026/27 onwards. Given the ongoing pressure on the Council's finances, it is likely that the gap between available resources and the cost of delivering Council services will not be met by Scottish Government funding alone, meaning that the Council will need to find ways to further reduce its cost base, grow income streams and increase Council Tax to close the gap.

1.4 The Council has a good track record of making savings and has achieved recurring savings of £34.22m in the last six years. As a result of this, it will not be possible to close future budget gaps through efficiencies alone. Reduced resources will need to be directed to provide maximum impact, deliver the Council's 'Place to Grow' vision and improve financial sustainability. The following principles will guide the delivery of detailed budgets over the lifespan of this plan.

1. Continuation and support from the cross-party Budget Strategy Group (BSG) to oversee the development of detailed budget proposals.

2. Commitment to developing an approach, which is aligned to this financial strategy, which combines a range of options to close the gap between available funding and the anticipated cost of delivering Council services. These options will include initiatives related to transformation, service redesign and digitisation, increased income generation, asset rationalisation and energy efficiency, early intervention and prevention, and service reductions.

3. An approach to budget development which strengthens the relationship between capital and revenue planning and expenditure, ensuring the revenue implications of capital are accounted for in medium-term financial planning when decisions are taken, and the role of investment in cost reduction strategies.

4. Commitment to minimising the use of one-off resources to balance the budget, focusing on using reserves for investment in initiatives which will provide cost reductions, or deliver specific investment in delivering the Council's priorities.

5. Ensuring alignment of financial planning and resources with wider strategic priorities, including the 'Place to Grow' vision.

This strategy will support financial sustainability by:

- Outlining financial projections for 2025/26 and high level financial projections from 2026/27 to 2029/30 based on a range of key assumptions.

- Setting out the wider economic context and external factors which will impact financial planning and available resources.

- Ensuring that available resources are focused on delivery of the partnership and Council's vision, 'Place to Grow', as well as the key priorities set out in the Council's strategic plans and their associated outcomes.

- Provide a financial planning platform for the development of a sustainable revenue budget over the medium-term which will support the Council's key priorities.

- Documenting the range of challenges and uncertainties facing the Council and setting out the approach to responding to these challenges.

- Setting out the Council's approach to holding and utilising balances and reserves, ensuring that there is an appropriate balance between risk management and investment.

- Increasing the awareness and understanding of the Council's financial position and challenges, both within the organisation and across the wider community.

1.5 This document covers the financial planning period to 2029/30 for the General Fund revenue budget and the Housing Revenue Account (HRA). It should be read in conjunction with the Council's Capital Investment Strategy, which covers the period 2024 to 2034, which sets the framework for the Council's capital expenditure plans and the governance arrangements for the capital programme. The Capital Investment Strategy was last updated in February 2024 however a refresh of this document will be undertaken across spring 2025, before being brought to Council for approval in early autumn 2025. It should also be read in conjunction with the Strategic Housing Investment Plan 2025 – 2030.

2. Current Economic Context

2.1 As with all Scottish local authorities, the Council continues to operate in challenging financial circumstances. Whilst inflation (CPI) has fallen to 2.5% in December 2024 after peaking at 11.1% in 2022, the significant increase in the costs of service delivery and capital investment continues to impact on the Council's financial sustainability.

Inflation rates remain changeable and stubbornly above the Bank of England's target of 2%. As a result of this stubborn inflation, alongside the impact of the 30 October UK Budget and other global events, such as the US Presidential election on 6 November 2024, the current forecast from the Council's treasury management advisors, MUFG Pensions and Markets Services (previously Link Group) shows that interest rates are expected to remain over 4.25% until autumn 2025, before falling slightly into 2026 and 2027.

2.2 The UK has been impacted by the ongoing global turbulence and uncertainty, with wars in Ukraine, the middle east, as well as the aftermath of the Covid-19 pandemic and the ongoing effects of Brexit. These factors have caused instability in the financial markets, as well as driving the high inflation noted above.

2.3 The cost of essential items like food and energy have increased substantially in the last five years, impacting households and businesses alike, requiring difficult decisions to limit spending. The cost increases also impact the public sector and has seen government spending plans squeezed.

2.4 Within the capital programme, the capital grant that the Council receives from Scottish Government has reduced in recent years, whilst the requirement for investment in infrastructure and assets remains significant. As a result, the majority of expenditure is funded through borrowing. Higher interest rates mean that borrowing is less affordable than five years ago. High inflation and global turbulence mean that the costs of previously approved capital budgets are increasingly not sufficient and need to be revisited. These factors have resulted in growth of the Council's capital financing requirement by 58.7% from £203.05m in 2019/20, to a projected £322.24m by 2024/25. It is expected to grow by a further 34.7% to £434.03m by 2030 based on current capital plans.

2.5 At the UK Autumn Budget and Spending Review on 30 October 2024, the Chancellor announced increases in UK public spending worth around £70bn per year and confirmed updated Block Grant funding total for the Scottish Government. It will receive additional Barnett Consequentials of around £3.4bn across 2024/25 and 2025/26. In 2024/25, resource funding will increase by around £1.4bn in cash terms, and capital funding will increase by around £70m. The Cabinet Secretary for Finance and Local Government in the Scottish Government announced that this funding was in line with expectations and would be used to support the costs of the 2024/25 public sector pay settlements.

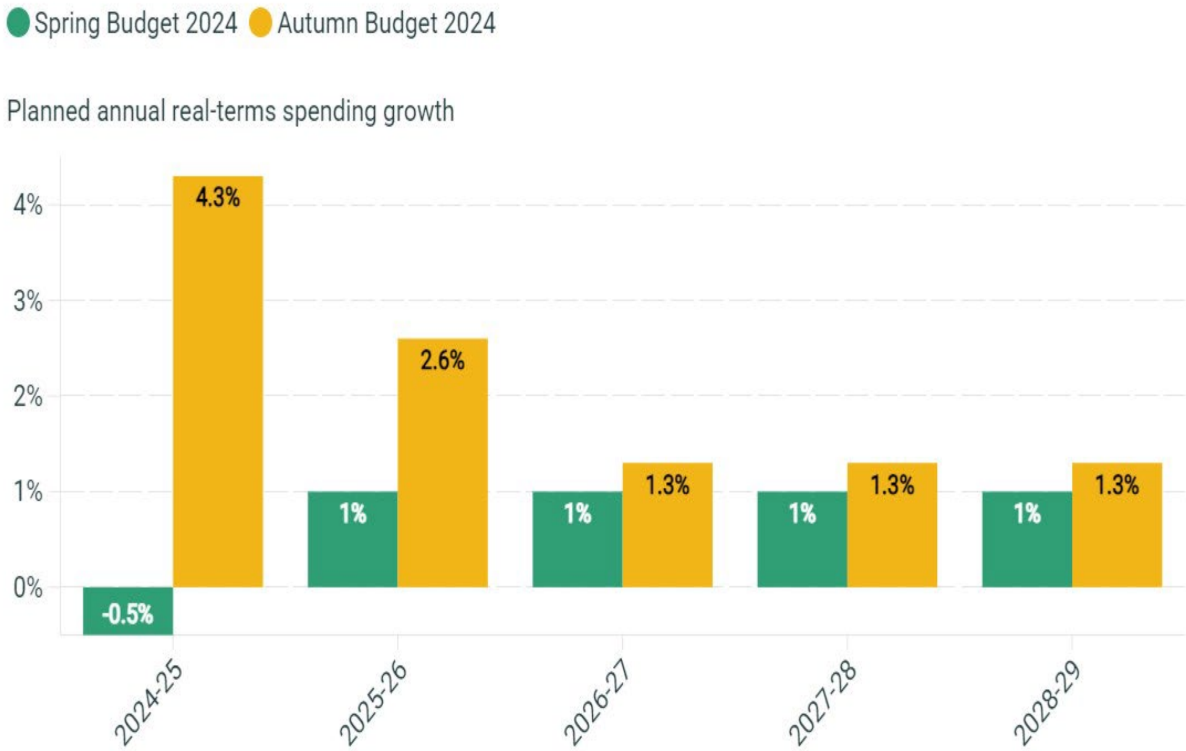
2.6 In 2025/26, Scottish Government resource funding will increase by a further £1.4bn and capital funding by around £600m. This represents a cash increase in resource funding of 3.4% compared to 2024/25. Controlling for inflation, this is a real terms increase of around £400m or around 1.0%.

2.7 In order to deliver on spending plans, the Chancellor increased the rate and starting point at which employers pay National Insurance Contributions of employee pay from April 2025. An initial estimate of the direct cost to the public sector in Scotland is around £500m in 2025/26, with any knock-on additional costs from providers of commissioned services over and above this. Funding for this change has not been included in the Scottish Government Resource Block Grant for 2025/26. HM Treasury have confirmed that an exercise will be undertaken to calculate the direct cost for the public sector and further funding will be provided at the UK Main Estimate in spring 2025. However, it must be noted that the public sector in Scotland in larger and relatively better paid than in the UK as a whole and there is a significant risk that any Barnett Consequential funding for this increase will not be sufficient to cover the full direct cost for Scotland.

As per guidance from Scottish Government, a planning assumption has been made that the Council will receive funding to the equivalent of around 60%, subject to local distribution, of the direct cost for Council and IJB staff, and the remainder of the cost of the increase is a budgetary pressure. The potential increase from commissioned services will be identified as a risk which will need to be managed within the overall budget.

2.8 Detailed analysis of the UK Budget has been undertaken by the Institute for Fiscal Studies[1] (IFS). In terms of the resource (day-to-day) budget, Figure 1 illustrates the front-loaded nature of it and the anticipated reduction in the growth rate after 2025/26. This is what leads the IFS to believe that further funding will be needed in these later years, possibly coming as soon as the Spending Review in spring 2025.

Figure 1 – Real terms day-to-day spending growth from 2024/25 to 2028/29



2.9 In terms of overall spending, there are marked changes between spending growth set out in the Spring Budget (0.5% for 2024/25) and the Autumn Budget (4.3%). However, this growth in expenditure is front loaded up to the end of 2025/26, where it stabilises at 1.3% thereafter. This £3.4bn of Barnett Consequentials has provided some additional capacity for the Scottish Government.

2.10 The Scottish Government announced its budget on 4 December 2024, with the draft local government finance settlement issued on 12 December 2024. In her speech, the Cabinet Secretary for Finance and Local Government made commitments to renew public services and invest in the nation's priorities. This includes an increase in Local Government Funding by over £1bn from 2024/25 levels, including a £289.3m increase in the General Revenue Grant which has been provided without direction or ring-

[1] Autumn Budget 2024 | Institute for Fiscal Studies

fencing. Final confirmation of the 2025/26 Scottish Budget will not be available until all parliamentary stages are completed at the end of February 2025. The Council's indicative individual share of the draft Local Government settlement for 2025/26 is better than was planned for. Notwithstanding the overall increase in funding, much of the additional funding comes with additional spending commitments and, overall, it is not sufficient to close the Council's budget gap over the medium-term. This means that the Council will continue to have to make difficult decisions around where to prioritise and direct resources in future years.

2.11 The most recent Scottish Government Resource Spending Review, published in May 2022, included a commitment to agree a new deal for local government in Scotland. This led to the signing of the Verity House agreement in 30 June 2023, which set out a framework for collaboration between Scottish Government and Local Government to empower local communities, tackle poverty, transform the economy and provide high-quality public services.

2.12 As part of the Verity House agreement, officers from the Convention of Scottish Local Authorities (COSLA) are exploring potential options for a 'Rules Based Fiscal Framework' to deliver a long-term financial relationship between Scottish Government and Local Authorities that promotes stability, certainty, transparency, affordability and sustainability. Once implemented, this framework could see Councils receiving a fixed percentage of Scottish Government's budget, however it would not include a review of distribution of funding across Scottish Councils. There are both risks and potential rewards from such an arrangement, however a final decision around this will not be taken until after a proposed 'shadow year' of operation during 2025/26, with the earliest potential implementation in 2026/27. This framework could have significant long-term implications for how the Council is funded. However, given the early stage of testing this proposal, any potential impact will have to be built into future iterations of this strategy.

3. Local Context

Demography

3.1 East Renfrewshire, as with Scotland as a whole, is facing profound changes to its demography. Reporting following the 2022 Census shows that since 2011, the population in East Renfrewshire has grown by 6.9% to 96,817 in 2022. This is the fourth largest increase of any Scottish local authority over this period. Much of this increase in the population has been driven by net inward migration, with the highest proportion of entrants entering being between 30 and 45.

3.2 Nationally, the overall population is aging, and the numbers of people aged 16 and under are decreasing. This is not the trend in East Renfrewshire, with the proportion of young people in the area having increased by 7.6% between 2011 and 2022. East Renfrewshire has the highest proportion of young people (0-19) of any local authority area (24.6% in 2022). This is reflected in occupancy rates in East Renfrewshire's nurseries, primary and secondary schools, with schools at 88.3% occupancy levels. There are 15 establishments where the school roll is in excess of 90% of its planned capacity.

3.3 Further new education places will be required as a consequence of ongoing and planned new residential development and inward migration to the authority. This includes the need to increase the very specialist places for the most vulnerable children and young people as more families move into the area to access this widely recognised and valued specialist provision. Projections also show the children and young people cohort continues to grow over the next 25 years, which will produce increasing demand for early learning and childcare, primary and secondary school places in the coming years.[2]

3.4 Despite having the highest proportion of young people in the area, the number of older people in the area as a percentage of the population is also increasing. Between 2011 and 2022, the number of people aged over 70 in East Renfrewshire has grown by 27.6%. By 2043, almost one quarter of East Renfrewshire residents will be aged 65 or over.[3]

3.5 In recent years, the number of people aged over 85 needing key services has been rising. This will continue to have an impact on demand for Council services because the number of people aged 85 and over is expected to grow at a faster rate than the rest of the population. On this basis, it is expected that the number of people with a need for home care or residential care will steadily increase year on year.

3.6 The 2022 Census states that East Renfrewshire had 39,732 households. This is an increase of over 2,500 since the last census in 2011. The area also continues to have the largest average household size in Scotland.

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

3.8 In terms of changes to the Council's General Revenue Grant allocation moving forward, in the draft 2025/26 allocation, the impact of East Renfrewshire's demographics, changes to distribution formulas and a reduction in the Floors adjustment[4], saw the Council's overall share of Grant Aided Expenditure (GAE) increase from 1.88% in 2024/25 to 1.91% in 2025/26, which was better than planned for.

3.9 Whilst the changes to the distribution and the Floor are positive, they are not sufficient to address the demographic factors outlined above, nor the impact of external factors including high inflation, higher interest costs, cost of living challenges, economic challenges and the previous years of constrained public sector budgets,

3.10 A comprehensive summary and analysis of the changing demographics of East Renfrewshire can be found in the Council's Planning for the future of East Renfrewshire report, which is updated bi-annually.

A Place to Grow

3.11 The Council and Community Planning Partnership has a long-term strategic framework in place that ensures a shared partnership vision and alignment of strategic priorities. The Community Plan, 'A Place to Grow' was approved in September 2024, setting the partnership's vision for the period to 2040. The vision is based on three strategic pillars, which refocus and prioritise the previous five strategic outcomes.

[2] NRS 2018-based household projections, published March 2020
[3] NRS 2018-based population projections, published March 2020
[4] The Floors adjustment is the mechanism designed to limit the level of grant reduction that any Council with falling demographics can bear.

The ambitions set out in the pillars are:

- **Our children and young people flourish:** every child and young person, regardless of background or circumstance, will fully flourish on their journey to adulthood.

- **Our communities and places thrive:** we will be an inclusive, connected and green place, with a fair, sustainable and healthy local economy, that our residents are proud to call home.

- **We all live well:** everyone can live well at all stages of life and communities will take the lead in driving change for good health and wellbeing.

3.12 Work will continue to develop a detailed Place to Grow three-year delivery plan, that will replace the current Fairer East Ren (Local Outcome Improvement Plan) and organisational development Plans. This is expected to be considered in April 2025. Action will also be taken to align the Council's medium-term planning framework to the priorities underpinning these ambitions.

3.13 As the work underpinning the 'Place to Grow' vision continues, future iterations of this strategic vision will support aligning the Council's financial planning to the achievement of these key priorities.

<u>Local Development Plan</u>

3.14 The Council has an approved Local Development Plan 2 (LDP2), which was formally adopted in March 2022. This is the Council's key strategic land use planning document and addresses the housing need identified in East Renfrewshire, as part of the wider Glasgow City Region.

3.15 This plan is currently being updated, reflecting National Planning Framework guidance (NPF4) and wider requirements. As part of this process, the Council approved an initial evidence report for LDP3 in September 2024. This sets out the future housing estimates for East Renfrewshire as a requirement for 5,876 new homes over the next

19 years (310 homes per year), with around 700 (37 homes per year) of these needed for social renting, and a further 600 (32 homes per year) for mid-market rent or alternative affordable housing tenures.

3.16 It is estimated that the population of East Renfrewshire will be 101,230 by 2028, and will grow to 107,971 by 2043, if trends continue. This will continue to bring changes to the demography of the area, with significant growth in school age children and the number of older people.

3.17 Population growth can create opportunities for the Council but, as noted previously, the complexity of the calculations of the share of the GAE for each Council and the operation of the Floor mean that an increasing population does not necessarily produce a similar increase in funding each year. As a result, growth will also contribute to the financial challenges in the medium to long-term as there will be a requirement for increases in services to serve this population, particularly in relation to school places, care packages and household waste collection. It is important that the Council has appropriate infrastructure in place to support the growth in these services and that this growth is factored into medium and long-term financial plans.

Glasgow City Region Deal

3.18 The Council has benefitted from a programme of Glasgow City Region Deal projects intended to stimulate growth in East Renfrewshire and allow improved transport routes across the areas, aligned to the Get to Zero Plan. The Council's City Deal programme will result in total investment of £44m, comprising £38m from the Scottish and UK Governments and co-funded by the Council's £6m capital contribution. Sustrans have also provided an element of funding for the Aurs Road project.

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

New Legislative and Policy Requirements

3.20 As well as the pressures from the cost of living crisis, inflation and wider economic uncertainty, Councils have increasingly seen a requirement to deliver new burdens in relation to legislative change or to deliver national policies. Significant examples of these in recent years are the rollout of 1,140 hours in Early Years and the requirement to maintain teacher numbers at a specific level.

3.21 Whilst ring-fenced funding has followed these burdens in most cases, this funding often does not keep pace with the cost of delivering these burdens, thereby placing further pressure on the Council's core funding. This is not sustainable and can limit Councils' flexibility to take decisions on funding local priorities.

3.22 The Council has received funding from UK Government in relation to Extended Producer Responsibility for 2025/26. This is in relation to a new policy approach which aims to ensure that producers pay the full net costs of managing and recycling the packaging waste they produce through a system of fees. As Councils are responsible for waste collection and disposal, this payment is intended to assist with these costs in relation to packaging waste. There are no additional costs in relation to the first year of payment however there will be adjustments or new responsibilities in relation to this payment in future years.

3.23 Future areas of likely additional costs from new legislation or policies include the expansion of the UK Emissions Trading Scheme to Energy from Waste from 2028, and the recent joint commitment by Scottish Government and COSLA to make meaningful progress towards reducing class contact time for teachers.

3.24 Horizon scanning will continue to be undertaken and when the costs associated with new requirements can be estimated, these will be included in the financial outlook. Given the uncertainty in this area, this will remain a risk to accurately forecasting the cost of delivering Council services in the medium-term.

Responding to the Climate Emergency

3.25 The Council has committed to achieving net zero by 2045 and published its Get to Zero Action Plan (GTZAP) in February 2024. It sets out what may be required to adapt Council and community infrastructure, land and assets to the changing climate.

3.26 The costs to implement the GTZAP have been estimated and indicate that as much as £370m capital investment could be required in the period up to 2045. Given the need for detailed feasibility studies, the fact that low-carbon technologies are evolving amidst ongoing global market uncertainty, coupled with the long timespan which the GTZAP covers, the estimates should be treated as such. Whilst they are provided using the information and insight available at this time, these are not definitive costs but they do provide a guide to the potential scale of investment that would be required.

3.27 The Council's revenue and capital expenditure plans are aligned to the GTZAP wherever possible. However, in light of the significant costs to deliver the GTZAP, either in full or in part, and the funding gap facing the Council over the medium-term, the pledges within the plan are not included in the Council's current financial plans and are unlikely to be achievable without significant additional funding.

4. General Fund Revenue Budget – Medium Term Outlook

4.1 Despite the many uncertainties facing Scottish local authorities, the need for medium to longer-term financial planning is becoming increasingly important. Councils must ensure they have robust financial plans in place so they can respond to and absorb the impact of the increasingly wide range of variables set out earlier in this report.

4.2 The Council's agreed financial policy states that "the Council will make spending decisions based on an assessment of medium to long-term needs and consequences, and will seek to avoid taking a short-term outlook in its policy making, service planning and budget setting decisions." Whilst it is intended that the Council continues to adopt a longer term approach in future, the lack of multi-year budget information from the Scottish Government has resulted in the Council having to set only a single year budget for 2025/26, accompanied by high level projections covering the four years to 2029/30.

4.3 The 2025/26 draft local government settlement figures were announced on 12 December 2024. The Council's settlement appears more favourable than forecast, due to the increase in the overall allocation of funding to local government, the increasing population in East Renfrewshire and a change to the Floor mechanism. However, much of the additional local government settlement came with policy commitments which require additional expenditure to deliver them, and there is also a new pressure from the increase in Employers' NI Contributions from April 2025, as noted previously.

4.4 The impact of the settlement, the increase in NI Contributions and the EPR payment results in a shortfall for 2025/26 of £7.066m. Once already approved savings for 2025/26 of £0.844m are taken into consideration, this leaves a remaining budget gap of £6.222m. This is before applying any Council Tax increase, reserves or additional savings proposals that have not yet been agreed by Council. Detailed plans have been prepared to address this shortfall, including £0.391m of savings proposals and use of service concession flexibilities of £0.385m, which have been discussed by the cross-party BSG. The Council intends to set a balanced budget for 2025/26.

4.5 Looking further ahead to the medium-term, given that Scottish Government funding accounts for around 76% of the Council's overall funding in 2024/25, the level of increase the Council receives in this funding each year has the largest impact on the scale of the funding gap that the Council will face. A 1% increase in funding from 2024/25 to 2025/26 equates to £2.566m, however Council Tax would need to be increased by 3.8% to deliver the same level of additional funding for Council services.

4.6 To support planning for the medium-term, three high level scenarios have been developed to reflect the potential range in size of the budget gap that will face the Council over a five-year planning horizon, which are summarised below. Table 1 shows the cumulative funding gaps for the favourable, neutral and adverse scenarios, including an indicative Council Tax increase. The remaining gap will need to be closed through further savings and / or higher Council Tax increases. It should be noted that where a funding gap is closed through the use of recurring measures, this will reduce the funding gap in the following and subsequent years.

Table 1 – High level revenue cumulative funding gap scenarios, 2025/26 to 2029/30

	2025/26 £m	**2026/27** £m	**2027/28** £m	**2028/29** £m	**2029/30** £m
Favourable	0.385	2.964	5.839	5.134	4.168
Neutral	0.385	5.019	10.020	11.517	12.827
Adverse	0.385	6.383	12.755	15.629	18.323

4.7 Within Table 1 above, the neutral scenario has been adopted for planning purposes. Key assumptions (which are subject to change) include:

Neutral Scenario

- Pay awards of 3% in 2025/26, 2026/27 and 2027/28, then 2% for the remaining 2 years in the planning period.
- Inflation of 2.3% in 2025/26 and 2026/27, then 2% for the remaining 3 years in the planning period, in line with Bank of England target.
- Core funding from Scottish Government as per settlement for 2025/26, with a 0.5% increase each year thereafter.
- Around 60% of direct costs for the increase in Employers' NI Contributions for the Council and IJB will be funded each year.
- Extended Producer Responsibility payment remains at the 2025/26 level (£2.3m) across the five-year planning period but is offset from 2026/27 by anticipated new costs emerging from the scheme and the expansion of the UK Emissions Trading Scheme in later years.
- Increase in Council Tax of 8% in 2025/26 and 3% thereafter.
- Recurring savings of an additional £0.391m are agreed for 2025/26 as part of the 2025/26 budget setting process.
- Assumes the 2025/26 remaining budget gap of £0.385m is funded through one-off use of reserves to deliver a balanced budget.

4.8 It should be noted that there is a significant degree of risk within the assumptions in the neutral scenario, and small changes in any one year can have a significant impact on the budget gap both in-year and in future years, particularly changes to year-on-year increases to Scottish Government core funding. In order to provide an indication of the range of funding gaps that the Council could face, a more positive 'favourable scenario' and a more negative 'adverse scenario' have both been modelled, with the annual funding gaps also detailed in Table 1 above and the details of the variations to the assumptions in the neutral scenario detailed below.

Favourable Scenario

- Core funding from Scottish Government as per settlement for 2025/26, with a 1.0% increase in each year thereafter.
- Assumes an increase in Council Tax of 8% in 2025/26 and 4% thereafter.

Adverse Scenario

- Core funding from Scottish Government as per settlement for 2025/26, with flat cash thereafter.
- Assumes an increase in Council Tax of 8% in 2025/26 and 3% thereafter.

4.9 Current financial planning is based on the neutral scenario as the most likely outlook for the Council. Given these funding gaps follow over a decade of constrained public sector funding that have necessitated substantial savings being delivered to date, the scale of the funding gap presents a further challenge for the Council to overcome, whist maintaining statutory services, meeting increasing demands and responding to new burdens.

5. General Services Capital Budget – Medium Term Outlook

5.1 The Council has a Capital Investment Strategy to inform investment priorities and to ensure that the capital infrastructure required is in place to service East Renfrewshire Council's population's demands. This looks beyond the Capital Plan, which covers ten years.

5.2 This Capital Investment Strategy sets the framework for capital investment expenditure decisions and the arrangements for governance and monitoring of these plans. Given the significant impact of debt financing costs and the revenue consequences of capital expenditure, it is important that both the Capital Investment Strategy and Medium Term Financial Strategy are closely aligned and the interdependencies are understood. The current version of the Capital Investment Strategy, which covers the period 2024 to 2034, was last updated in February 2024.

5.3 The Council's ambitious draft General Fund Capital Plan 2025/26 to 2034/35 is on the Council agenda at the 26 February 2025 meeting. A summary of the first five years of the plan, which aligns with the lifespan of this strategy, is summarised below.

Table 2 – General Fund Capital Plan summary, 2025/26 to 2029/30

	2025/26 £m	**2026/27** £m	**2027/28** £m	**2028/29** £m	**2029/30** £m	**Total** £m
Gross Expenditure	66.371	44.076	25.690	17.095	22.281	175.513
Resources (Excl. Borrowing)	11.943	8.258	7.158	6.258	6.268	39.885
Borrowing	54.428	35.818	18.532	10.837	16.013	135.628

5.4 Funding for the Capital Plan comes from a range of sources including: Scottish Government (General Capital Grant and Specific Ring-fenced Capital Grants), specific City Deal funding, small capital grants from other bodies, developer contributions and capital receipts from asset disposals, with the balance and majority of funding coming from borrowing, which is funded through loan charges to the revenue budget.

5.5 The current capital plan reflects the growth and ambition of the Council, with current plans designed to support the delivery of the Council's key plans and strategies, including asset management strategies for key areas of infrastructure. It is also designed to support the future infrastructure requirements across the Council area.

5.6 CIPFA's Prudential Code places prudence, affordability and sustainability as the foundations to effective capital planning. This includes consideration of the cost of long-term borrowing alongside the revenue consequences generated from investment in existing or new assets, such as staffing costs, utility costs, rates and cleaning costs, which must be met from within the Council's existing resources. As there will continue to be pressure on the revenue budget over the medium-term, it is essential that capital investment decisions take into consideration the full cost implications facing the Council. This is also an important consideration when considering undertaking additional external funding applications, as this can often divert resources away from existing capital projects which support the delivery of key Council priorities.

5.7 In addition, as noted above, the borrowing for capital infrastructure is funded through annual loans fund payments, which are charged to the revenue budget and repaid over the life time of the asset. Interest rates continue to be higher than in recent years, with the expected timescale for these rates to become more favourable continuing to be pushed out into late 2025 and beyond. The interest rate directly impacts on the cost of new borrowing, and it is important to remember that new borrowing must be repaid in addition to existing borrowing. As well as the Capital Investment Strategy, all borrowing decisions are supported by the Treasury Management Strategy to ensure that investment plans remain affordable and sustainable.

5.8 As with all public sector bodies, the Council has faced significant external market pressures in relation to both supply and cost of capital works in recent years, which has impacted on the ability to deliver the plan in full each year. Additionally, whilst the Council is ambitious about what it wants to deliver, this does not always match the capacity for what it can deliver.

5.9 Given the challenging financial landscape the Council will continue to operate in for many years, alongside a trend of not delivering the capital programme in full in recent years, the Capital Investment Strategy will be refreshed across spring 2025, to update the approach to how the capital programme is both determined and managed moving forward. This will be brought to Council for approval in autumn 2025. The relationship between capital spend and revenue consequences will be strengthened, and the governance processes and forums for capital strategy, planning, reporting and monitoring will be reviewed.

5.10 The updated strategy will take a longer-term view to the investment needs of the Council, and affordability of this investment in the context of the Council's longer-term financial position and the priorities set out in the recently approved 'Place to Grow' vision to 2040.

5.11 In addition to refreshing the Capital Investment Strategy, it is proposed that a full stock condition survey be undertaken across 2025 to 2027, to provide a baseline to inform and govern decisions in relation to investment in the medium and long-term, and ensure that constrained capital funding is used in the most effective manner.

5.12 Alongside refreshing the Capital Investment Strategy, the Council will continue to utilise its Capital Reserve provision and forecast developers' contributions to help support the investment required in relation to population growth in the coming years, but whilst inflation on capital works remains high and Scottish Government capital grants remain relatively fixed or declining in cash terms, this will increase pressures for Councils to borrow to finance capital works. This in turn increases pressures on revenue budgets from capital financing charges, especially as interest rates are unlikely to return to their pre-pandemic low levels. This will be an increasing constraint on capital ambitions in the future.

6. Reserves

6.1 In determining medium term financial plans and preparing budgets, the Council needs to consider the establishment and maintenance of reserves in accordance with its statutory responsibilities.

6.2 Reserves can be held for three main reasons:

- Working balances to maintain liquidity and avoid unnecessary temporary borrowing. These reserves form part of General Reserves.

- An unallocated or non-earmarked contingency to mitigate the impact of unexpected events or emergencies. This reserve also forms part of the General Reserves.

- A means of building up funds often referred to as Earmarked Reserves, to meet known or predicted liabilities.

6.3 The Reserves Strategy is built on three key principles:

1. Council policy is to maintain the General Fund Non-Earmarked Reserve at between 2% and 4% of net budgeted revenue expenditure. The Council would not expect reserves to fall below 2%.

2. Where the Council has known risks and liabilities, reserves to manage that risk should be established and also used to assist with expected and unexpected pressures.

3. The use of one-off resources to balance the budget should be minimised.

6.4 The following table sets out the projected reserves and balances of the Council for 2025/26 and could be subject to change in the coming months.

Table 3 – Projected reserves and balances on Council reserves

	Estimated Balance at 31/3/25	2025/26			**Estimated Balance at 31/3/26**
		Contribution	Interest Receivable	Expenditure	
	£m	£m	£m	£m	**£m**
General Fund – Non Earmarked Core	**7.645**	0	0	0	**7.645**
Earmarked Reserves					
Equalisation Reserve	**3.398**	0	0.136	0	**3.534**
Modernisation Fund	**5.853**	0	0.234	(1.401)	**4.686**
Unspent Grants	**2.707**	0	0	(0.423)	**2.284**
Whitelee Wind Farm	**1.024**	0	0.041	(0.190)	**0.875**
Commuted Sums	**1.933**	0	0.077	(0.325)	**1.686**
Devolved School Management	**2.819**	0.922	0	(1.876))	**1.865**
Feasibility Fund	**0.240**	0	0.010	0	**0.250**
Get to Zero Fund	**0.531**	0	0.021		**0.553**
Service Concessions Flexibility	**2.490**	3.159	0	(3.085)	**2.564**
Workforce Restructuring Fund	**1.799**	0	0.072	(0.081)	**1.790**
Employee Wellbeing & Development Fund	**2.318**	0	0.093	(0.212)	**2.199**
Community Capacity Building Fund	**1.751**	0	0.070	(0.100)	**1.721**
Investment in the Future	**2.923**	6.415	0.117	(3.216)	**6.239**
Capital Reserve	**15.835**	0	0.633	(6.500)	**9.968**
Repairs and Renewals Fund	**3.870**	0	0.155	(1.900)	**2.125**
Insurance Fund	**2.145**	0	0.086	0	**2.231**
Housing Revenue Account	**1.654**	0	0.017	(0.250)	**1.421**

6.5 Each of these reserves is set out for a specific purpose, with the detail on their intended use set out below.

- **General Fund Non-Earmarked Reserve** – This funding is often referred to as the "Unallocated Reserve" and is held for unforeseen emergencies and contingencies. Council policy is to aim in the medium to long-term for this unallocated reserve to be between 2% and 4% of net budgeted revenue expenditure.

- **Equalisation Reserve** – This reserve represents earmarked funding to equalise future PFI/PPP payments as grant levels will be well below payment commitments in the later years of the schemes.

- **Modernisation Fund** - This funding has been set aside by the Council to enable the upfront investment required in staffing and systems to maintain modern systems, drive forward the Council's transformation activities and to generate future savings which will demonstrate payback within an agreed timescale.

- **Unspent Grants** – This reserve is to allow the matching of grant spend against grant received in order to meet accounting requirements. Where grant has been received and the Council is permitted to use the funding in the following year, this reserve is used to enable the balance to be carried forward.

- **Whitelee Wind Farm** – The income for this fund is from sums provided by the Whitelee Wind Farm operator to provide grants to the local area, manage and maintain the current access infrastructure and allow for future access improvements to the wind farm. Bids to this fund from local groups will continue to be considered and determined by a panel consisting of elected members and a representative of Voluntary Action East Renfrewshire.

- **Commuted Sums** – The income for this reserve comes from standard second home / long-term empty Council Tax income, as well as contributions from planning gains to fund infrastructure and affordable housing investment within the area which have no time restrictions. The additional premiums levied on second / empty homes are not assigned to this reserve, but are used instead to fund an Empty Homes Housing Officer and to support the wider Council budget.

- **Devolved School Management (DSM) Reserve** – Legislation requires Councils to maintain a DSM reserve and, in this regard, the Council permits Head Teachers to set aside a proportion of in-year underspends, up to a cumulative maximum of 6% of their budget, in order to assist schools in meeting financial savings challenges and in managing budgets which span more than one financial year.

- **Feasibility Fund** – The small reserve was set up by the Council to permit preliminary investigations to be progressed for potential future capital projects. This is intended to enable a prompt start if a project is then approved for inclusion in the Capital Programme. Where such an approval is confirmed, the preliminary expenditure will be recharged to the capital project and the feasibility fund refunded.

- **Get to Zero Fund** – This small fund is used to permit preparatory works in relation to the Council's Get to Zero plans. It is recognised that this will fund only a small proportion of the Council's climate action requirements and that substantial government/other external funding will also be needed.

- **Service Concession Flexibility** – In closing the accounts for 2022/23, the Council was permitted to align PFI/PPP debt to the life of these assets, rather than to the contract term. This released £14.8m of funding which was earmarked to help ease the transition to challenging budget savings over the years 2023/24 onwards.

- **Workforce Restructuring Fund** – The Council acknowledges that significant reductions in staffing might be required in order to address medium-term budget shortfalls. This fund is intended to assist with these pressures by funding short-term additional HR staff requirements as structures are redesigned, and by contributing towards the one-off costs of ending staff contracts across affected services.

- **Employee Wellbeing and Development Fund** – This fund was set up in 2023 to support staff wellbeing and continuous professional development opportunities in line with the Council's People Strategy. It will cover current and future skills; absence and wellbeing and organisational change readiness.

- **Community Capacity Building Fund** – This fund is a long-term investment in our local communities. It will be used to build capacity and capability; skills; to support place-making and build on the positive assets of our local people in service of the delivery of 'Place to Grow'.

- **Investment in the Future Fund** – This reserve was established as part of the 2024/25 budget to hold the funds available due to the short term reduction in employers' pension contributions. Proposals for drawdown from this reserves are considered by Cabinet, after consultation with the cross-party BSG.

- **Capital Reserve (including HRA)** – This reserve has assisted in addressing capital investment needs during periods of funding constraint

- **Insurance Fund** – This fund has been established to provide for insurance voluntary excess costs.

- **Repairs and Renewals Fund** – This fund was established to enable a continuing programme of repairs and renewals to roads, properties and other infrastructure.

- **Housing Revenue Account Reserve** – This fund provides a contingency to meet short term financial demands of the HRA as well as permitting major costs to be spread over a period of time rather than impacting on rent payers in only one year. CIPFA guidance stated it should be at least 5 - 10% of annual HRA turnover.

<u>Reserves Policy</u>

6.6 Previously the Council's Reserves Policy, last approved by Council in February 2024, set out the policy for use of reserves and how its reserves are governed. This will now be consolidated within this strategy document.

6.7 Council policy is to maintain the General Fund Non-Earmarked Reserve at between 2% and 4% of net budgeted Revenue Expenditure. It is recognised that this target level cannot always be met. The level of this unallocated reserve will be reviewed annually by Council as part of the budget setting process and a lower level may be agreed to assist the Council in addressing short to medium-term financial challenges. Unless there are exceptional circumstances, the Council would not expect this reserve to fall below a level of around 2% of net budgeted revenue expenditure.

6.8 Due to the Council's prudent long-term approach to financial planning, a range of reserves have been built up over a number of years to assist with expected and unexpected pressures. Should a budget gap remain after the application of savings measures and income generation, the Council may consider the short-term measure of drawing down on some of these reserves.

6.9 The use of one-off resources to balance the budget should be minimised. While this may be unavoidable in certain circumstances, this should be a short-term response only and should not replace the development of a sustainable budget.

Governance of Reserves

6.10 It is the duty of the Chief Financial Officer to report on the robustness of estimates and adequacy of reserves as part of their statutory duty.

6.11 Fund balances are reviewed and reported to the Audit & Scrutiny Committee and Council as part of the Annual Accounts exercise.

6.12 The establishment of new earmarked reserves will be considered through the budget process. The BSG will be informed of changes.

6.13 Proposed utilisation of Earmarked Reserves is agreed by the Council as part of the annual budget setting process or in response to specific reports if needs arise during the year. In the case of the smaller reserves, utilisation during the year may be delegated to senior management in response to service needs.

6.14 Payments from the Whitelee Wind Farm fund are determined by a panel of elected members and a representative from the local voluntary sector in response to applications from local groups.

7. General Fund Revenue Budget Financial Strategy

7.1 Each year Councils have a legal duty to set a balanced budget for the coming financial year. Despite the challenging circumstances facing the Council, it continues to plan to set a balanced budget in February 2025, and for each of the subsequent financial years within the lifespan of this strategy. In order to achieve this, the Council will need to develop detailed and robust plans for closing the gap between expenditure demands and available resources subsequent to 2025/26.

7.2 Given these funding gaps follow over a decade of constrained public sector funding that have necessitated substantial savings being delivered to date, it is clear that the Council's transformation programme cannot deliver the full scale of budget savings required alone. It is prudent for the Council to plan for a range of initiatives, broadly aligned to the following categories:

- **Transformation, service redesign and digitalisation** – The Council has a strong track-record of delivering efficiency savings and increasing productivity through its Digital Transformation Programme (DTP). This programme has been a key mechanism to drive change across three key areas: customer experience, workforce productivity and business systems and processes. Whilst it is recognised that it will become progressively more difficult to identify efficiencies in future, the Council will continue to seek opportunities to do so through reviews and transformation initiatives wherever possible. Work is underway to refresh the Council's Digital Transformation Strategy for summer 2025. This will take account of employee productivity, the Council's customers, and maximising the benefits of major systems through business change. The strategy will set out the Council's approach to the appropriate use of artificial intelligence, process automation, and the use of data and business intelligence to improve performance, efficiency and outcomes as well as helping to identify opportunities for early intervention and prevention.

- **Income generation** – Income generation helps to reduce the extent to which cuts are required to front-line services. The report setting out the annual review of Council charges for 2025/26, which was agreed by Cabinet in December 2024, set out a principle-based approach to determining fees and charges. One of the key principles is that where a charge is not statutory and the Council is not achieving cost recovery, the charge will be increased to work towards this. The Council also considers implementing new charges, where appropriate. Work is already underway in this area and will continue to be considered as part of the strategy to reduce future budget gaps.

- **Asset rationalisation and energy efficiency** – The Council has an extensive operations asset portfolio to support service delivery needs. The Council has a number of asset management strategies for key areas of infrastructure that provide the framework for efficient management of these assets. Upcoming actions in this area include a proposal to undertake a full stock condition survey to provide a baseline to inform and govern decisions in relation to investment in the medium and long-term, and ensure that constrained capital funding is used in the most effective manner. The Council will also be conducting a review of its fleet across 2025 and 2026. This will consider how services use fleet assets. Within the review the type of vehicles, volume of vehicles and opportunities to align with Get to Zero priorities will be explored.

  The GTZAP sets out actions focused on reducing operational emissions, which includes opportunities to reduce expenditure through energy efficiency. The Get to Zero Board meet regularly to monitor progress in delivering these actions.

  Both of these work streams align with the GTZAP priority of responding to the climate emergency and meeting the Council's net zero target.

- **Early intervention and prevention** – investment in prevention measures supports cost reduction by reducing the need for expensive interventions over time, and also results in improved outcomes for the Council's service users. The Council has a solid foundation of successful preventative initiatives, including a focus on early years and reducing teenage pregnancies. A key focus of 'Place to Grow' will be on building the case for further preventative spend which will lead to long-term outcomes for the local area.

- **Service reductions** – Service reductions will only be taken once all other routes have been explored and outcomes for the most vulnerable residents will be protected, where possible. Given the scale of the budget gap, it is likely that a further reduction in service levels in some areas will be required. A clear link to 'Place to Grow' will be maintained to ensure that there is a focus on delivering the Council's vision and key priorities.

7.3 Savings plans will need to be aligned to the five-year financial strategy, with plans for savings featuring in each of the five years. This will be a continuous programme of work which will be underpinned by robust governance arrangements to develop plans, monitor progress and evaluate the resources required to progress the different elements of the strategy.

7.4 Previous savings plans for 2023 – 2026 were informed by significant public consultation and early discussion with cross-party elected members. The Council will ensure that that this good practice is continued across the financial years covered by this strategy. Undertaking engagement with key stakeholders, public consultation and the completion of all appropriate impact assessments will be a key aspect of future savings options development.

7.5 Investment will be required to deliver the actions set out above, which are required to balance the budget in the medium-term. This will be sought from the relevant earmarked reserve, as and when required, and in-line with the appropriate governance processes.

8. Financial Flexibilities

8.1 During 2022, the Scottish Government offered Councils a new fiscal flexibility in relation to PFI/PPP type service concessions. Such service contracts usually run for 25 or 30 years although the assets delivered (such as schools or roads) will last much longer. The new flexibility allows Councils to account for the debt element of these contracts over the life of the assets concerned – typically 50 years, rather than the 25 - 30 year contract periods. Applying this approach to the Council's historic PFI/PPP schemes produced a one-off financial benefit of £14.812m at 31 March 2023. This sum was added to the General Reserve and then used to assist with closing challenging budget gaps in 2023/24 and 2024/25.

8.2 There is £2.284m remaining in the Service Concession Flexibility Reserve from the original one-off financial benefit however there is an annual in-year benefit, which varies year-to-year, but is around £2.700m per year across the lifespan of this financial plan. As per the decision taken at the time of the creation of this reserve, use of the in-year benefit on an annual basis has been assumed as part of this financial strategy. The previous financial strategy was to use the remaining £2.284m of the one-off benefit to assist with closing the budget gap in 2025/26. In line with this financial strategy, it is recommended that, using this reserve to balance the budget should be minimised, if possible, as it will be on a one-off basis. While this may be unavoidable, it is acknowledged that this will be a short-term response only and will not replace the development of a sustainable budget.

9. Housing Revenue Account

9.1 The Local Housing Strategy 2024 – 2029 (LHS) sets out the strategic vision for the delivery of housing and housing related services across all tenures and types of housing provision in East Renfrewshire. The LHS is the key planning document which details the framework of actions the Council and its partners will take to make sure this vision becomes a reality. This strategy has been prepared with the backdrop of the cost of living crisis, ongoing economic turbulence, a highly pressured housing market and significant demand for social rented housing. Extremely high levels of homelessness applications persist, and this, alongside the constrained supply of social housing or temporary accommodation available to meet this need, led the Council to declare a housing emergency on 11 September 2024.

9.2 In 2022, East Renfrewshire had the lowest rate of socially rented households in Scotland (10.8%) and there is a gap between demand and available homes. Increasing the supply of good quality, affordable housing continues to be a high priority for the Council.

9.3 The Strategic Housing Investment Plan (SHIP) is the key document that sets the priorities for investment in housing in East Renfrewshire. This is reviewed annually, and the current SHIP covers the five-year period from 2025 to 2030. It outlines how the affordable housing priorities identified in the LHS will be delivered by the Council and Registered Social Landlords (RSLs), as well as the projected level of Affordable Housing Supply Programme (AHSP) grant required to deliver them. Projects included reflect the sites available through the established housing land supply set out in the LDP.

9.4 The Housing Revenue Account (HRA) is a balancing act between the income raised through rent, the revenue expenditure to support tenants, and necessary capital investment to support and modernise existing Council housing stock and deliver new homes. To support this ambition, the financial strategy must ensure that financial plans remain affordable and sustainable both for existing and future tenants.

9.5 The Housing Revenue Account: 30 Year Financial Business Plan was approved in November 2024 and covers the period 2024 to 2054. The key areas of focus for the 30 Year Plan are to ensure that existing stock is invested in over the life of the plan, as well as investing in new affordable housing stock, while ensuring that the ratio of debt charges to income remains at or below the upper limit of 40%, both in the short-term and the long-term.

9.6 The current HRA reserves are within a healthy range of £1.654m in 2024/25. The strategy is to maintain the level of reserve over the medium-term to a prudent level of 7 - 8% of net expenditure, in order to meet any future unexpected needs.

9.7 For 2025/26, the Council has consulted on rent increases of up to 5.9%, with a proposal of an increase of 4.9%. This increase is required to sustain investment in both existing stock and new housing stock, particularly in light of the significant reduction in affordable housing subsidy in 2024/25.

9.8 However, it is noted that the Scottish Government's wider capital budget to support the AHSP Programme will increase in 2025/26, with the overall budget increasing to £767.7m, which is £15.8m more than the 2023/24 budget (the level before cuts to this budget were made in 2024/25), with more of the budget being focused on capital expenditure to support building works. Details of the Council's specific allocation for 2025/26 are not yet available.

10. Financial Management

10.1 Financial management at East Renfrewshire Council comprises a number of elements.

10.2 There is a strong internal financial control environment within the Council, with helps to ensure that the Council's assets are used as efficiently, effectively and economically as possible and the Council has a good track-record of delivering within the approved annual budget.

10.3 Officers and elected members are fully engaged in the annual budget setting process through the cross-party BSG, which meets on a regular basis and ensures that there is a shared understanding of financial plans and budgets, as well as the financial pressures facing the Council.

10.4 The BSG is also important in supporting the development of a balanced budget through consideration of budget proposals intended to close the gap and providing political oversight to steer financial planning to ensure alignment between resource allocation and the priorities identified within ‘A Place to Grow’ and the priorities which underpin this vision.

10.5 As part of the Council’s normal financial management arrangements, the Finance team provide budget holders, Heads of Service, and Directors with monthly and quarterly performance reports, which set out the anticipated final outturn position for their area.

10.6 In addition to this, quarterly financial performance reports for revenue and capital are reviewed by CMT, scrutinised by Cabinet and remitted to the Council for approval. The overall finances of the Council are subject to detailed annual independent audit review and the outcome of this review is scrutinised by the Audit & Scrutiny Committee.

10.7 In order to deliver the activities which will be required to balance the Council’s budget in coming years, it will be important that through CMT, the Council maintains a disciplined approach to the monitoring and oversight of the workstreams which will be required to be put in place. Heads of Service will be required to manage expenditure commitments within their approved budgets, and if these cannot be contained, this should be reported to the Director, and ultimately the CMT, who have flexibility to manage budgets across various Departments.

11. Review

11.1 Although this medium-term financial strategy covers a five-year period, it will be updated on an annual basis to ensure that it remains relevant and enables the Council to respond to future financial challenges.

12. Risk

12.1 The Council’s financial strategy is subject to a high degree of risk and uncertainty. Given the current lack of multi-year budget settlement, the tumultuous economic environment and the variability of the assumptions on which the Council’s financial forecast is based, future budget gaps may be smaller or larger than those set out in this document. This strategy is intended to be used as a planning tool only.

12.2 The Council has a robust risk management process in place to capture risks and to ensure that appropriate mitigations are developed and maintained. The risk of Scottish Government funding not being sufficient to maintain the current service level, and therefore impacting on the Council’s financial sustainability, has been highlighted as one of the highest-rated risks on the Corporate Risk Register, with a score of 12. Corporate and departmental risk registers remain live documents, which are shared with senior managers, CMT and Audit & Scrutiny Committee.

13. Summary

13.1 It is recognised that there are a wide range of risks and variables facing the Council, and there is a need to ensure that the Council is financially sustainable over the medium and long-term, whilst being able to deliver the ‘Place to Grow’ vision, and the priorities and outcomes which will underpin this vision. Based on current estimates, the future level of resources will not be sufficient to meet future demands and pressures, without action being taken in how services are delivered.

13.2 To achieve this change, the Council must undertake initiatives across a range of categories, including transformational change, income generation, asset rationalisation and efficiency, and early intervention and prevention, to ensure that service reductions are only implemented as a last resort.

13.3 This strategy will assist the Council in meeting the future financial challenges ahead by providing a robust framework for setting the budgets from 2025/26 onwards. It is recognised that with the wider economic uncertainty, and the significant impact that small changes of the Council’s cost base can have in future years, the scale of the budget gap facing the Council in future years may exceed those set out in this document. Difficult decisions and choices may need to be made to ensure that the Council remains financially sustainable over the medium-term.

AGENDA ITEM No. 9

EAST RENFREWSHIRE COUNCIL

26 February 2025

Report by Head of Finance (Chief Financial Officer)

REVENUE ESTIMATES 2025/26

PURPOSE OF REPORT

1. To submit for approval outline revenue estimates of income and expenditure as the basis for the Council Tax declaration for 2025/26.

RECOMMENDATIONS

2. It is recommended that the Council:

(i) notes that the revenue estimates for 2025/26 (Annex A) have been prepared with the budget gap of £7.066m, closed on the basis of a 8% Council Tax increase, the utilisation of £0.385m of resources made available through Service Concession Flexibilities agreed by the Scottish Government and savings proposals of £1.235m (Annex B);

(ii) notes that £0.844m of the listed 2025/26 savings have already been agreed by Council;

(iii) notes that a 1% change to the level of Council Tax set would produce an adjustment of £0.681m to the level of income available;

(iv) notes that the budget gaps for 2026/27 and 2027/28 have been estimated at £5.019m and £5.001m respectively, with a cumulative budget gap of £10.020m over this two year period, on the basis of an assumed 3% Council Tax increase each year but before application of any new savings or drawdown from general reserves in these years;

(v) notes the estimated funding gaps of £0.332m, £5.187m and £5.216m also faced by the Integration Joint Board (IJB) in respect of social care in 2025/26, 2026/27 and 2027/28, with a cumulative budget gap of £10.735 over this three year period;

(vi) notes that where a funding gap is closed through the use of recurring measures, this will reduce the funding gap in the following and subsequent years;

(vii) agrees that the management of the Council's finances and services will continue to be undertaken on a longer term basis;

(viii) agrees the Council Tax Band D level of £1,528.44 for 2025/26;

(ix) agrees the utilisation of reserves and the savings to be implemented for 2025/26; and

(x) agrees that, where possible, savings for implementation in 2026/27 which require significant preparatory work should be brought back for approval later in the year to permit this to be undertaken timeously.

REVENUE BUDGET PROCESS

3. In approving the revenue estimates in recent years, the Council has recognised that the future financial position was likely to remain difficult in terms of spending pressures, demand for services and level of government grant. Accordingly, whilst the settlement for 2025/26 is better than expected, the Council has adopted a medium-term financial planning approach which assumes a real terms reduction in available budgets in future years.

4. Recognising these ongoing financial pressures, the Council has developed a Medium Term Financial Strategy for 2025 - 2030, also on today's agenda. However, as a result of the Scottish Government settlement, announced in December 2024, again detailing figures for only one year, the revenue budgets to be considered today will cover 2025/26 only. It is hoped that detailed multi-year budget setting can resume in the near future, but this will rely on the outcome of the UK Government multi-year spending review, scheduled to conclude in June 2025, and the publication of the Scottish Government's Medium Term Financial Strategy and Scottish Spending Review, which will follow on from this. In keeping with the medium-term financial approach, however, departmental modelling of the Council's financial position will continue internally for the years 2026/27 to 2029/30, in support of the 'Place to Grow' vision, which was approved in September 2024, and the three-year delivery plan that will be developed across spring 2025 to deliver this.

5. In summer 2022, savings proposals to address forecast funding shortfalls for the next three financial years were identified. These proposals were subjected to extensive consultation and active engagement with the Council's communities, service users, trade unions, employees and partners in autumn 2022, with consultees being invited to provide their views on the budget savings proposals set out. Feedback from that engagement exercise informed the development of the savings measures proposed covering the financial years 2023/24 to 2025/26. The savings proposals included within this report were included as part of this engagement exercise, however it is recognised that further savings will have to be identified for 2026/27 and beyond, and further engagement will require to be undertaken in relation to new savings proposals.

6. As a part of the process for constructing the budget proposals for the next financial year, departments compiled detailed budget information on the cost of services to be provided in 2025/26. In practice this presents the cost of maintaining existing service levels taking account of:

- the impact of inflationary pressures including pay awards;
- Scottish Government initiatives;
- the cost of Council decisions and legal commitments;
- revenue implications of the Capital Programme;
- increased demand for services from growing population; and
- the impact on service demand as a result of the housing emergency, declared by the Council in September 2024.

7. The budget timetable observes the necessity to set Council Tax and issue bills to residents prior to the start of the new financial year.

8. The budget process has involved consultation with Trades Unions both at departmental and corporate levels, and formally through the Joint Consultative Committee. This consultation will continue.

SCOTTISH GOVERNMENT GRANT FUNDING 2025/26

9. Aggregate External Finance (AEF) is the mainstream grant support for the Council. It is determined by the Scottish Government and comprises: -

- General Resource Grant
- Specific Grants
- Income from Non Domestic Rates

10. In recent years, there has been additional grant support announced by Scottish Government in-year to fund additional policy requirements, particularly in relation to funding staff pay awards where these have been higher than budgeted for by the Council. This means that the grant announced by the date of that year's budget meeting has been lower than the total grant awarded by the end of the financial year.

11. The 2025/26 draft local government settlement figures were announced on 12 December 2024. The Council's settlement appears more favourable than forecast, due to the increase in the overall allocation of funding to local government, the increasing population in East Renfrewshire and a change to the Floor mechanism. However, much of the additional local government settlement comes with policy commitments which require additional expenditure to deliver them.

12. At the UK Autumn Budget and Spending Review on 30 October 2024, the Chancellor increased the rate and starting point at which employers pay National Insurance (NI) Contributions of employee pay from April 2025. An initial estimate of the direct cost to the public sector in Scotland is around £500m in 2025/26, with any knock-on additional costs from providers of commissioned services over and above this. Funding for this change has not been included in the Scottish Government Resource Block Grant for 2025/26. HM Treasury have confirmed that an exercise will be undertaken to calculate the direct cost for the public sector and further funding will be provided at the UK Main Estimate in spring 2025. As per guidance from Scottish Government, a planning assumption has been made that the Council will receive funding to the equivalent of around 60%, subject to local distribution, of the direct cost for Council and IJB staff, totalling £2.758m, and the remainder of the cost of the increase of £1.395m is a budgetary pressure for the Council and the IJB. The potential indirect cost increase from commissioned services and goods that the Council buys is a risk which will need to be managed within the overall budget.

13. For comparative purposes, budgeted grant levels are shown below in Table 1. The figures in the first column reflect the 2024/25 grant announced by the date of that year's budget meeting, the second column shows the anticipated final grant for 2024/25 and the third column reflects the 2025/26 grant confirmed for the Council to date.

Table 1 – Comparative Budgeted Grant Levels 2024/25 – 2025/26

	AEF 2024/25 as at Feb 2024 £m	AEF 2024/25 as at Dec 2024 £m	AEF 2025/26 as at Feb 2025 £m
General Revenue Funding	221.637	234.467	252.436*
Funding for Council Tax Freeze	3.148	3.148	Nil**
Specific Grants	2.162	2.161	2.167
LEIP Funding	0.887	0.887	0.788
Non Domestic Rates	15.891	15.941	15.871
Total	**243.725**	**256.604**	**271.262**

*Assumes funding of £2.758m for the increase in Employers' NI Contributions.
**The funding for the 2024/25 Council Tax freeze is now baselined in the General Revenue Funding.

14. The total grant has increased by £14.658m between 2024/25 (as at December 2024) and February 2025. This includes increased funding of £0.957m to maintain teacher numbers at 2023 levels, additional funding of 0.535m to fund the 2025/26 implication from the 2024/25 teachers' pay award, assumed funding of £2.758m to fund the increase in the Employers' National Insurance Contributions, additional funding for the payment of the Real Living Wage in early learning and childcare and social care, increasing the level of Free Personal Care, new Additional Support for Learning funding and increased Discretionary Housing Benefit funding, plus other increases for other policy initiatives. The increase also includes the Council's share of the £289.300m of General Revenue Grant to support local priorities, which totals £5.525m, of which it is proposed that £1.199m is passed through to the IJB. The remainder of the increase, reflects East Renfrewshire's growing share of the overall Scottish population, particularly in relation to children.

15. The Specific Grant figure includes £1.489m ring fenced Pupil Equity Funding to support educational attainment. This is a similar level to 2024/25 and must be distributed to head teachers for them to determine utilisation. As such the expenditure cannot be directed by the Council. A further £0.616m of the specific grants is in relation to Criminal Justice and will be passed to the IJB. The remaining £0.062m relates to Gaelic education.

16. The 2025/26 Scottish budget is due to be passed by the end of February 2025, however no significant changes which would impact on the Council's budget gap are anticipated by that point. With the UK Spring Statement scheduled for 26 March 2025, there may be further changes in the Scottish Government's funding position, including the pass through of funding to offset the additional direct costs of the Employers' NI contributions, but at present the impact of these on local government is uncertain and further funding in relation to Employers' NI contributions is not expected.

17. As a part of the grant settlement for 2025/26, the Scottish Government expects that councils will restore teacher numbers to 2023 levels in 2025/26 and that learning hours will not be reduced in the 2025/26 academic year. In addition, that Scottish Government and Local Government will 'develop a meaningful offer for the Scottish Negotiating Committee for Teachers (SNCT) to consider, of a phased reduction in class contact time, within the scope of 2023 levels of teacher numbers, beginning in the 2025-26 school year.' The budget proposals submitted for Council consideration assume delivery against these requirements

in 2025/26, albeit teacher numbers are subject to the allocation of probationer teachers which have yet to be confirmed

18. In previous local government settlements, there has been a requirement to maintain Council contributions to the IJB at least at a flat cash level before new funding commitments. The Council's contribution to the IJB in 2025/26 will be in excess of flat cash, by passing on funding in support of the increased 2024/25 pay award, the proportionate share of the additional General Revenue Grant, noted above, and funding to support around 60% of the additional direct costs associated with the increase in Employers' NI contributions, subject to local distribution. In addition to this, all funding in relation to delivery of policy initiatives has been passed through.

NON DOMESTIC RATES INCOME

19. Non-domestic rates income is paid into a central pool which is then distributed as part of AEF. The amount paid to Councils from the pool is fixed for each year with any surplus or shortfall in the overall pool being adjusted in the following year's rate poundage or AEF settlement. The forecast for NDRI draws on Councils' estimates of the amounts they will contribute to the pool. Included in the calculation are: gross income; expected losses from appeals; in-year cost of transitional relief; mandatory and other reliefs; write-offs and provisions for bad debts.

EXTENDED PRODUCER RESPONSIBILITY INCOME

20. The Council has received funding of £2.313m from the UK Government in relation to Extended Producer Responsibility for 2025/26. This is in relation to a new policy approach which aims to ensure that producers pay the full net costs of managing and recycling the packaging waste they produce through a system of fees. As Councils are responsible for waste collection and disposal, this payment is intended to assist with these costs in relation to packaging waste. There are no additional costs in relation to the first year of payment, however there will be adjustments or new responsibilities in relation to this payment in future years.

FINANCIAL OUTLOOK

21. The Council's agreed financial policy states that "*the Council will make spending decisions based on an assessment of medium to long-term needs and consequences and will seek to avoid taking a short-term outlook in its policy making, service planning and budget setting decisions*." As multi-year Scottish Government settlements are not available, it is proposed to agree budget plans for 2025/26 only at today's meeting. Council officers will, however, continue to model departmental figures for 2026/27 and beyond, and continue to update longer-term figures (as set out in the Medium Term Financial Strategy 2025 – 2030 paper on today's agenda) for longer-term financial planning purposes. The Council will also continue to adopt a multi-year approach to elements of budget setting wherever possible, in particular taking a longer-term view of reserves to determine where these can be used to smooth the transition through particularly difficult budget challenges. The Council anticipates moving to full multi-year budgets in the coming years once multi-year planning figures have been announced by the UK and Scottish Governments.

22. Taking account of the 2025/26 settlement announcement, income from the UK Government in relation to Extended Producer Responsibility, updated expenditure forecasts, the contribution to the IJB and an expectation of some Council Tax buoyancy from new housebuilding, a total budget shortfall of £7.066m has been confirmed for the coming year.

23. Looking further ahead to the medium-term, given that Scottish Government core funding accounted for around 76% of the Council's overall funding in 2024/25, the level of increase the Council receives in this funding each year has the largest impact on the scale of the funding gap that the Council will face. A 1% increase in total Scottish Government funding from 2024/25 to 2025/26 equates to £2.566m, however Council Tax would need to be increase by 3.8% to deliver the same level of additional funding for Council services.

24. Given the ongoing national economic uncertainty, but taking into consideration that the population of East Renfrewshire continues to grow, an annual 0.5% increase in Scottish Government core funding has been assumed for modelling purposes for the subsequent years, although no indicative forecasts have been provided by the Scottish Government. This produces ongoing shortfalls for the next five years. After balancing the budget for 2025/26, including using a small amount of reserves, mid-range budget shortfalls of £5.019m and £5.001m are forecast for 2026/27 and 2027/28, with a cumulative budget gap of £10.020m over this two-year period. These are on the basis of modelling a Council Tax increase of 3% in each of these years respectively. It should be noted that where a funding gap is closed through the use of recurring measures, this will reduce the funding gap in the following and subsequent years.

25. There is a significant degree of risk within the assumptions in this planning scenario, and small changes in any one year can have a significant impact on the budget gap, both in-year and in future years, particularly changes to year-on-year increases to Scottish Government core funding.

26. It is important that the Council continues to manage this scenario in line with its longer-term financial management strategy.

COUNCIL TAX

27. The 2025/26 settlement does not include restrictions on Council Tax levels. The Council's published forecasts in the 2024/25 Revenues Estimates had been based on a 6% assumed Council Tax increase in 2025/26. Given the freeze applied to Council Tax in 2024/25, this means there is a lower Council Tax base than would otherwise have been the case. In addition, given the significant savings implemented across the last decade and the remaining budget gap facing the Council post the settlement, raising Council Tax by 6% would require difficult reductions in services to be imposed or significant use of reserves, which will increase the scale of the budget gap in future years.

28. The revenue estimates have therefore been prepared on the basis of an 8% Council Tax increase being set, rather than the 6% assumed in earlier plans. This would increase income by a further £1.362m per year and reduce the budget gap to £1.620m.

RESERVES AND SAVINGS PROPOSALS

29. Budgets are closely monitored throughout the year, and taking the latest 2024/25 forecast of the anticipated outturn into consideration, the balance on this reserve is expected to be £7.645m as at 31 March 2025. As set out in paragraph 43, this equates to 2.3% of the

2024/25 net revenue budget, slightly above the Council's minimum policy of around 2%, so there is limited scope for utilisation of this reserve.

30. As a result of the Scottish Government's permitting Councils a new fiscal flexibility in 2022/23 in relation to accounting for debt on PFI/PPP style service concession projects over a longer period, the Council enjoyed a one-off benefit of £14.812m as at 31 March 2023. In closing the 2022/23 accounts, this sum was used to set up a new earmarked reserve, Service Concessions Flexibility Reserve, and it was agreed that this reserve should be utilised to mitigate the impact of the expected challenging settlements in future years and to help transition into the significant savings required. In 2023/24, £7.528 was drawn down from this reserve to support the budget and £5.000m was drawn down to support the 2024/25 budget. There is £2.284m remaining in the reserve from this original one-off benefit.

31. Accordingly, a further £0.385m of the outstanding 2025/26 savings requirement would therefore be deferred on a short-term basis by a drawdown from the Service Concessions Reserve. The budget shortfall for 2025/26 can thus be reduced to £1.235m. The final £1.899m of the remaining one-off fiscal flexibility resource would then be utilised to assist with future budget pressures, which remain significant in future years.

32. The application of this fiscal flexibility also produced a recurring revenue benefit of £2.700m for the next 9 years, up to 2031/32. This recurring benefit was taken into account when setting the 2023/24 budget and so has already been recognised in the base position for 2025/26.

33. The IJB has its own separate scheduled budget plans and will determine its own detailed savings. There are estimated funding gaps of £0.332m, £5.187m and £5.216m faced by the IJB in respect of social care in 2025/26, 2026/27 and 2027/28 respectively, with a cumulative budget gap of £10.735 over this three-year period. As with the Council's forecast, there is a degree of risk associated with these forecast, particularly around the impact of changes to Scottish Government policy or the final position in relation to the national care home contract negotiation.

34. East Renfrewshire Culture and Leisure Trust (ERCLT) also sets out its own scheduled budget plans and will determine its own detailed savings.

35. The Council's contribution to the IJB and ERCLT are set out in Annex A. After adjusting for these contributions, the Council's remaining departmental budgets stand at some £265.200m and the budget shortfall figures in paragraphs 22 to 32 above relate only to these budgets.

36. Annex B sets out details of £1.235m of Council departmental savings recommended to close the remaining gap. These proposals include the decisions already taken by Council as part of setting the 2024/25 budget and in October 2024, as well as taking account of the results of the Council's extensive public consultation undertaken in autumn 2022, together with representations from Trades Unions.

37. Annex B does not include any savings proposals in relation to teacher numbers. As such, the approach will support the Council to seek to maintain overall teacher numbers at 2023 levels, in line with Scottish Government policy.

38. The Council recognises that many savings, especially those involving service reductions or restructuring, require long lead in times with officers having to undertake substantial work in advance to ensure that the savings can be implemented from the start of the relevant year. It is therefore proposed that, wherever possible, some savings proposals for 2026/27 are brought to Council for decision during 2025 to permit the maximum benefit to

be delivered the following year. This approach has been extremely helpful in setting budgets in previous years.

39. Annex D of the report considered by Council on 1 March 2023 Council Budget Report 1 March 2023, when setting the revenue budget for 2023/24, contained details of potential savings options for 2025/26 which had been identified as part of the three year budget consultation in autumn 2022. Although some of these savings are included in Annex B to today's report as recommendations to be applied in 2025/26, many others would have a fundamental impact on service delivery and will therefore require further review. Accordingly, use of the Service Concession Flexibility reserves is proposed in 2025/26 to reduce the impact on services. As the review of some of these remaining proposals may well confirm that they are considered unacceptable, the Council will need to develop detailed, robust and sustainable plans for closing the gap between expenditure demands and available resources subsequent to 2025/26. The approach to developing these plans is set out in the Medium Term Financial Strategy 2025 – 2030.

NET EXPENDITURE

40. The revenue estimates for 2025/26 reflect net expenditure of £348.127m, as follows:-

	BUDGET 2025/26 £m
Education	196.433
Contribution to Leisure Trust	5.953
Contribution to IJB	79.028
Environment	31.125
Business Operations & Partnerships – Non Support	14.189
Chief Executive's Non Support	0.244
Joint Boards	2.430
Contingency - Welfare	0.130
Capital Financing Costs	11.088
Other	9.561
	350.181

41. This total is supported by £73.521m of Council Tax, £0.385m of service concession reserves and £2.700m of recurring service concession benefit, in addition to the £271.262m of funding from Scottish Government and payment of £2.313m from UK Government in relation to Extended Producer Responsibility out earlier.

COUNCIL TAX COLLECTION

42. On the basis of past performance the Council Tax collection rate for 2025/26 has been assumed at 98%.

RESERVES AND BALANCES

General Fund

43. Setting aside earmarked reserves, the balance on the Unearmarked General Reserve as at 31 March 2024 stood at £7.302m, with £0.777m of that allocated to balance the

2024/25 budget. Recognising the latest reported projections of in year underspends and interest earned, it is projected that the closing balance on this reserve will be £7.645m. This equates to 2.3% of the 2024/25 net revenue budget, and 2.2% of the 2025/26 net revenue budget. This is slightly above the Council's minimum policy of around 2%. There are no plans to draw on this reserve during 2025/26.

Modernisation Fund

44. This earmarked funding has been identified to enable the upfront investment required for the Council's transformation activities. The balance as at 31 March 2024 was £6.762m and it is anticipated that net spend of £0.909m will be utilised during 2024/25, this being supported by robust business cases. Movements in the reserve are currently estimated as:

		£m
Estimated Balance	01/04/25	5.853
Interest Receivable	2025/26	0.234
Expenditure	2025/26	(1.401)
Closing Balance	31/3/26	4.686

Insurance Fund

45. The Fund has been established to provide for insurance voluntary excess costs and there are no plans to use this fund during 2025/26. Movements in the fund are estimated as follows:

		£m
Estimated Balance	01/04/25	2.145
Interest Receivable	2025/26	0.086
Expenditure	2025/26	0
Closing Balance	31/3/26	2.231

Equalisation Fund

46. The Fund has been established to equalise future PFI/PPP payments. It is anticipated that in closing this year's accounts no contribution will be made to the reserve. It is not proposed to utilise this Fund during 2025/26. Movements in the fund are estimated to be as follows:

		£m
Estimated Balance	01/4/25	3.398
Interest Receivable	2025/26	0.136
Expenditure	2025/26	0
Closing Balance	31/3/26	3.534

Repairs and Renewals Fund

47. The Fund is established to assist with repairs and renewals to roads, properties and other infrastructure. A decision was taken to restore this fund at the end of 2023/24. An element of the funds in this reserve are already committed (£1.717m) and the unallocated

balance at 31 March 2025 is expected to be £2.153m. No contribution to this reserve is anticipated in closing the 2024/25 accounts, however this fund is expected to be utilised to meet dilapidations costs during 2025/26, and £0.300m will be available as a contingency to be drawn down if next year's winter is more adverse than "average".

		£m
Estimated Balance	01/04/25	3.870
Interest Receivable	2025/26	0.155
Expenditure	2025/26	(1.900)
Closing Balance	31/3/26	2.125

Investment in the Future Fund

48. The Council benefitted from a substantial short term reduction in employer's pension contributions in 2024/25, equating to around £6.400m, and will further benefit from the same short term reduction in 2025/26. A new reserve was created as part of the 2024/25 budget to hold these funds and this fund is fully committed to fund various initiatives and projects over the next 5 financial years, as approved by Cabinet. As agreed previously, the reserve will be topped up with the saving associated with this reduction for 2025/26. The 2025/26 element is currently included in the 'Other' budget figure in paragraph 40 above. The IJB, ERCLT and the Housing Revenue Account (HRA) will also benefit from short-term reductions in their employers' pension contributions in 2025/26.

		£m
Estimated Balance	01/04/25	2.923
Interest Receivable	2025/26	0.117
Contributions	2025/26	6.415
Expenditure	2025/26	(3.216)
Closing Balance	31/3/26	6.239

Capital Reserve

49. It is anticipated that in closing this year's financial accounts, a contribution of £1.024m will be made to this reserve in order to support the Council's ambitious capital plans in the years ahead. On this basis, there will be an anticipated closing balance of £15.835m as at 31 March 2025, of which £8.806m relates to Housing and £7.029m relates to the General Fund. This reserve will also assist in supporting capital investment in 2025/26, and it will be utilised in accordance with the Council's Housing and General Fund Capital Plans. The closing balance at 31 March 2026 is estimated to be £9.968m, of which £2.659m relates to the Housing and £7.309m relates to the General Fund.

Devolved School Management Reserve

50. In recent years Head Teachers have been permitted to set aside an element of school underspends at financial year end to assist schools in meeting future financial challenges and in managing budgets which span more than one financial year. Utilisation of this fund is at the discretion of Head Teachers and the balance on this fund at 31 March 2026 is estimated to be £1.865m.

Service Concessions Flexibility

51. This earmarked reserve holds one-off gains arising from the Council realigning PFI/PPP debt to the life of these assets, rather than to the term of the PFI/PPP contracts. The estimated balance at 31 March 2025 is £2.490m, with further gains of £3.159m accruing during 2025/26. It is planned to utilise £3.085m of this in setting the 2025/26 budget. The remainder of this balance (£2.564m) will be available to assist in setting future budgets.

Other Reserves & Funds

52. The Council has various other earmarked reserves including the Workforce Restructuring Fund, Unspent Grants, Whitelee Wind Farm, Feasibility Fund, Commuted Sums, Get to Zero Fund, Employee Wellbeing & Development Fund and Community Capacity Building Fund. These funds will mostly continue to be operated by senior management in response to service needs. In the case of Whitelee, however, bids from local groups will continue to be considered and determined by a panel consisting of elected members and a representative of Voluntary Action East Renfrewshire.

EQUALITY IMPACT ASSESSMENT

53. Section 149 of the Equality Act 2010 (the public sector general equality duty), requires the Council, in the exercise of its functions, to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct that is prohibited by the Equality Act 2010;
- advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and
- foster good relations between people who share a protected characteristic and those who do not.

54. The Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 requires the Council, when proposing a new policy or practice, or revising an existing one, to:

- assess the impact of applying its proposals or changes against the three needs of the general equality duty, listed above;
- consider relevant evidence relating to different equality groups (including any evidence received from individuals from those groups);
- take account of the results of any assessment in respect of that policy or practice;
- publish, within a reasonable period, the results of any assessment where the Council decides to apply the policy or practice in question; and
- make arrangements to review and where necessary revise any policy or practice that the Council applies in the exercise of its functions.

55. The Fairer Scotland Duty places a legal responsibility on the Council to actively consider ("pay due regard" to) how they can reduce inequalities of outcome caused by socio-economic disadvantage when making strategic decisions. Socio-economic disadvantage can be described as:

- Low/no wealth
- Low income
- Area deprivation
- Socio-economic background
- Material deprivation

The inequalities that people can face as a result of socio-economic disadvantage include:

- Poorer skills and attainment
- Lower healthy life expectant
- Lower quality, less secure and lower paid work
- Greater chance of being a victim of crime
- Less chance of being treated with dignity and respect

56. United Nations Convention on the Rights of the Child (Scotland) Act 2024 places a legal duty on public authorities to respect and protect children's rights in the work they do. There are a range of elements that the Council must consider in supporting these rights including:

- Ensuring that children and young people have a voice in decisions that affect them – both directly and indirectly; and
- Undertaking assessments of how well the Council is protecting children, including children's rights and wellbeing impact assessments and considering how budget planning supports better outcomes for children and young people.

57. Recognising these statutory duties, the Council has undertaken an Equality, Fairness and Rights impact assessment on each of the budget savings measures, and has also considered where there is an accumulative impact across these savings. Where appropriate, consultation and engagement is undertaken with relevant groups prior to implementing any savings measures assessed as possibly having an impact in equality terms with a view to minimising this impact.

COUNCIL TAX 2025/26

58. The outline revenue estimates in Annex A are based on a Band D Council Tax level of £1,528.44 being set for 2025/26. This Council Tax level represents an 8% increase in Council Tax when compared to the current year's level.

RECOMMENDATIONS

59. It is recommended that the Council:

(i) notes that the revenue estimates for 2025/26 (Annex A) have been prepared with the budget gap of £7.066m, closed on the basis of a 8% Council Tax increase, the utilisation of £0.385m of resources made available through Service Concession Flexibilities agreed by the Scottish Government and savings proposals of £1.235m (Annex B);

(ii) notes that £0.844m of the listed 2025/26 savings have already been agreed by Council;

(iii) notes that a 1% change to the level of Council Tax set would produce an adjustment of £0.681m to the level of income available;

(iv) notes that the budget gaps for 2026/27 and 2027/28 have been estimated at £5.019m and £5.001m respectively, with a cumulative budget gap of £10.020m over this two year period, on the basis of an assumed 3% Council Tax increase each year but before application of any new savings or drawdown from general reserves in these years;

(v) notes the estimated funding gaps of £0.332m, £5.187m and £5.216m also faced by the IJB in respect of social care in 2025/26, 2026/27 and 2027/28, with a cumulative budget gap of £10.735 over this three year period;

(vi) notes that where a funding gap is closed through the use of recurring measures, this will reduce the funding gap in the following and subsequent years;

(vii) agrees that the management of the Council's finances and services will continue to be undertaken on a longer term basis;

(viii) agrees the Council Tax Band D level of £1,528.44 for 2025/26;

(ix) agrees the utilisation of reserves and the savings to be implemented for 2025/26; and

(x) agrees that, where possible, savings for implementation in 2026/27 which require significant preparatory work should be brought back for approval later in the year to permit this to be undertaken timeously.

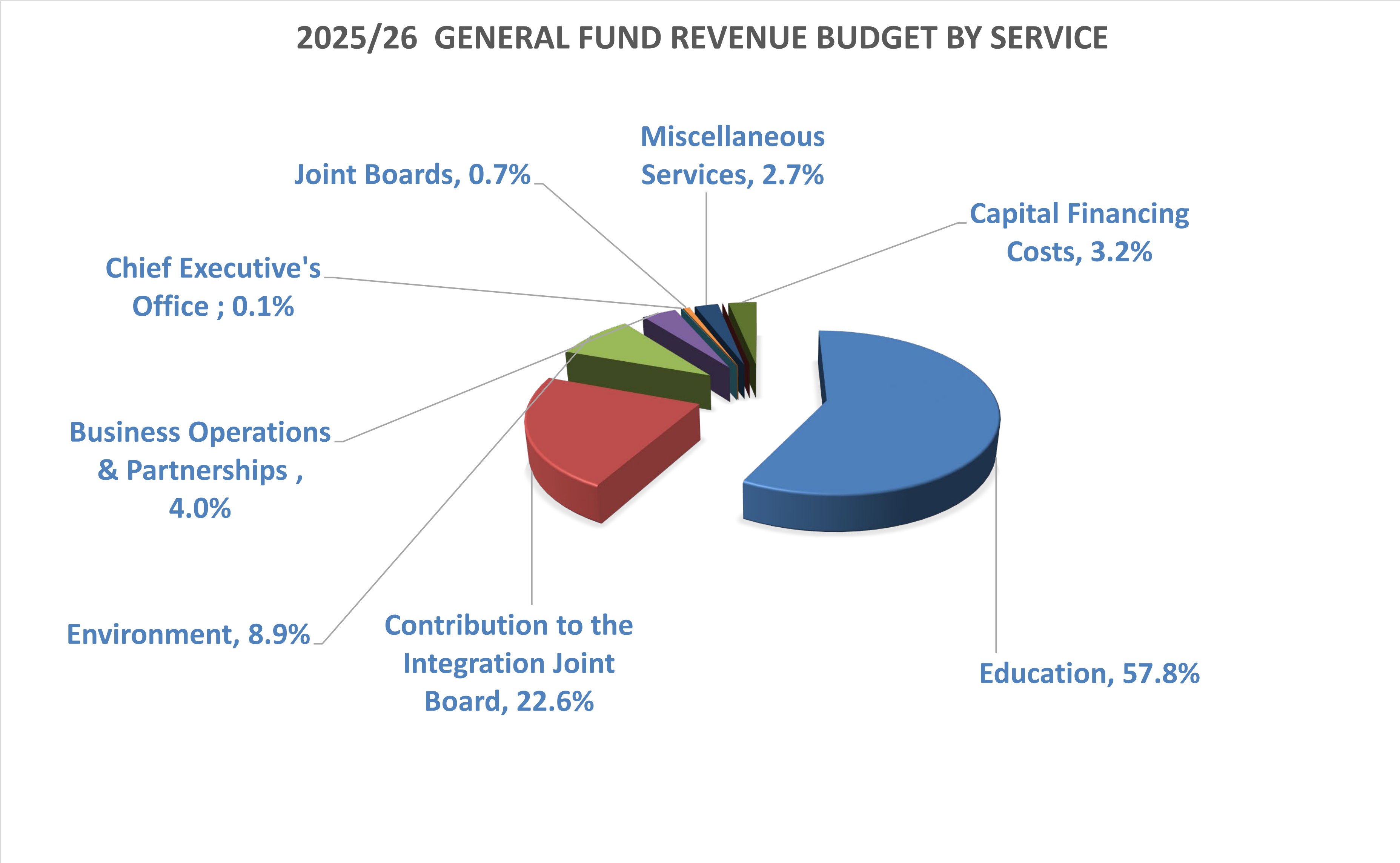
Further information is available from K Stanners, Head of Finance, phone 0141 577 3035.

CALCULATION OF COUNCIL TAX BAND 'D'

2024/25 £'000		2025/26 £'000
319,877	Net Expenditure	350,181
-	Contribution to Balances / Special Funds	-
319,877		350,181
(243,725)	Aggregate External Finance (including other grants)	(273,575)
(8,477)	Contribution from Reserves	(3,085)
67,675	**Amount to be met from Council Tax**	73,521
48,795	Number of Band 'D' Equivalents	49,084
976	Less Provision for Non Payment	982
47,819	**Effective Tax Base**	48,102
£1,415.22	Council Tax Band D	£1,528.44

COUNCIL TAX CHARGES 2025/26

Valuation Band	Fraction of Band D		Upper Value £	Council Tax £
A	240/360		27,000	1,018.96
B	280/360		35,000	1,188.78
C	320/360		45,000	1,358.61
D	1.00		58,000	1,528.44
E	473/360		80,000	2,008.20
F	585/360		106,000	2,483.71
G	705/360		212,000	2,993.19
H	882/360	over	212,000	3,744.67


2025/26 GENERAL FUND REVENUE BUDGET BY SERVICE
Miscellaneous Services, 2.7%
Joint Boards, 0.7%
Capital Financing Costs, 3.2%
Chief Executive's Office ; 0.1%
Business Operations & Partnerships , 4.0%
Environment, 8.9%
Contribution to the Integration Joint Board, 22.6%
Education, 57.8%

REVENUE ESTIMATES SUMMARY 2025/26

	2024/25 Approved Budget	2025/26 Approved Budget
NET EXPENDITURE	**£'000**	**£'000**
Education	189,004	202,386
Contribution to Integration Joint Board (including Ring Fenced Grant)	69,480	79,028
Environment	28,892	31,125
Business Operations & Partnerships	12,445	14,189
Chief Executive's Office - Non Support	288	244
Joint Boards	2,430	2,430
Miscellaneous Services	7,683	9,561
Contingency - Welfare	130	130
Capital Financing Costs	9,525	11,088
Additional Expenditure / (Savings) to be identified	-	-
	319,877	**350,181**
Contribution to Assist in Maintaining Reserves.		
	319,877	**350,181**
FINANCED BY:-		
Revenue Support Grant and Non Domestic Rates	237,528	268,307
Ring Fenced Grants	2,162	2,167
Scottish Government Funding for Council Tax Freeze	3,148	-
Other Grants	887	3,101
Recurring Service Concessions	2,700	2,700
Contribution from Service Concession Reserve	5,000	385
Contribution from Unallocated General Reserve	777	-
Contribution from Capital Reserve	-	-
Council Tax	67,675	73,521
	319,877	**350,181**

E D U C A T I O N

DEPARTMENTAL SUMMARY

	Budget 2024/25 £'000	Budget 2025/26 £'000
Pre Five Education	19,830	21,124
Schools:- Primary	58,449	62,499
Secondary	73,441	78,628
Other	3,832	3,805
Special Education	10,353	12,355
Psychological Services	1,020	1,104
Transport (Excl Special)	1,428	1,531
Clothing	301	301
Administration & Support Services	9,037	9,736
Cleaning and Janitorial Services	2,021	2,078
Catering Services	-	-
School Crossing Patrollers	-	-
Culture and Leisure Services	9,292	9,225
	189,004	202,386

EDUCATION

DEPARTMENTAL SUMMARY

	Budget 2024/25 £'000	Budget 2025/26 £'000
Expenditure		
Staff Costs	134,919	145,547
Property Costs	17,331	17,637
Transport Costs	2,910	3,063
Supplies & Services	30,906	32,353
Third Party Payments	11,347	12,298
Transfer Payments	1,139	1,139
Support Services	6,768	7,613
Total Expenditure	205,320	219,650
Income		
Ring Fenced Government Grant	1,546	1,551
Other Government Grant	2,612	2,637
Recharge Income (Internal)	10,907	11,421
Fees Charges etc	2,394	2,782
Other Income	403	424
Total Income	17,862	18,815
NET EXPENDITURE FOR COUNCIL TAX	187,458	200,835
Adjustments		
Ring Fenced Government Grant	1,546	1,551
NET EXPENDITURE	189,004	202,386

CONTRIBUTION TO INTEGRATION JOINT BOARD

DEPARTMENTAL SUMMARY

	Budget 2024/25 £'000	Budget 2025/26 £'000
Ring Fenced Government Grant	616	616
Council Contribution to Integration Joint Board	68,864	78,412
	69,480	79,028

HEALTH & SOCIAL CARE PARTNERSHIP

DEPARTMENTAL SUMMARY

	Budget 2024/25 £'000	Budget 2025/26 £'000
Expenditure		
Staff Costs	28,382	30,437
Property Costs	1,003	992
Transport Costs	319	265
Supplies & Services	2,441	2,292
Third Party Payments	52,472	61,817
Transfer Payments	76	55
Support Services	2,616	2,820
Total Expenditure	87,309	98,678
Income		
Additional IJB Grant	5,571	5,556
Ring Fenced Government Grant	616	616
Other Government Grant	157	250
Recharge Income (Internal)	205	205
Fees, Charges etc.	1,478	3,199
Other Income	10,418	10,440
Total Income	18,445	20,266
Net Expenditure for Council Tax	68,864	78,412
Adjustments		
Ring Fenced Government Grant	616	616
Funding from Integrated Joint Board (Note 1)	69,480	79,028
Net Expenditure	-	-

Note 1: The HSCP's budget is indicative only and will be directed and amended by the Integration Joint Board on an ongoing basis

E N V I R O N M E N T

DEPARTMENTAL SUMMARY

	Budget 2024/25 £'000	Budget 2025/26 £'000
Directorate	1,751	1,939
Environment Accommodation	-	-
Energy Management	242	191
Environment - Non Operational Properties	97	97
Planning & Building Control	1,315	1,433
Economic Development	948	1,007
Roads	9,665	9,819
Roads Contracting Unit	-	-
Neighbourhood Services	-	-
Parks Services	2,178	1,908
Prevention Services	1,173	1,226
Waste Management	6,597	6,708
Cleansing	2,563	2,764
Vehicles Services	-	-
Other Housing	2,363	4,033
Office Accommodation	-	-
	28,892	31,125

E N V I R O N M E N T

DEPARTMENTAL SUMMARY

	Budget 2024/25 £'000	Budget 2025/26 £'000	
Expenditure			
Staff Costs	16,660	17,430	
Property Costs	4,627	4,980	
Transport Costs	3,876	3,998	
Supplies & Services	20,949	21,506	
Third Party Payments	785	801	
Transfer Payments	1,453	3,161	
Support Services	2,561	2,870	
Total Expenditure	50,911	54,746	
Income			
Ring-Fenced Grant	-	-	
Other Government Grant	545	546	
Recharge Income (Internal)	14,335	14,845	*
Fees Charges etc.	5,456	6,545	
Other Income	1,683	1,685	
Total Income	22,019	23,621	
Net Expenditure	28,892	31,125	

* Includes a £190k (2024/25 £182k) contribution from the Whitelee Windfarm Fund

BUSINESS OPERATIONS & PARTNERSHIPS

DEPARTMENTAL SUMMARY

	Budget 2024/25 £'000	Budget 2025/26 £'000
Directorate	-	-
Community Safety	1,434	1,641
Democratic Representation & Management, Elections and Members Expenses	898	1,163
Democratic Services	561	577
Money Advice and Rights	1,053	1,151
Registrars	115	96
Customer First - Non Support	220	451
Community Planning	348	362
Communities	943	1,159
Council Tax & Non Domestic Rates	5,318	5,080
Revenues - Benefits & Discretionary Payments	989	1,254
Housing Benefits	566	1,255
Risk and Compliance	-	-
Revenues - Admin	-	-
Communities, Revenues and Change	-	-
	12,445	14,189

BUSINESS OPERATIONS & PARTNERSHIPS

DEPARTMENTAL SUMMARY

	Budget 2024/25 £'000	Budget 2025/26 £'000
Expenditure		
Staff Costs	6,010	6,403
Property Costs	76	157
Transport Costs	73	75
Supplies & Services	2,348	2,776
Third Party Payments	313	358
Transfer Payments	16,756	18,477
Support Services	1,833	1,945
Total Expenditure	27,409	30,191
Income	-	-
Ring Fenced Government Grant	-	-
Other Government Grant	11,270	12,134
Recharge Income (Internal)	2,847	2,931
Fees Charges etc.	445	528
Other Income	402	409
Total Income	14,964	16,002
Net Expenditure	12,445	14,189
Adjustments		
Ring Fenced Government Grant	-	-
Net Expenditure	12,445	14,189

CHIEF EXECUTIVE'S - NON SUPPORT SERVICES

DEPARTMENTAL SUMMARY

	Budget 2024/25 £'000	Budget 2025/26 £'000
Accountancy	(364)	(340)
Civic Licensing	52	(3)
Licensing Board	10	7
Corporate Management	590	580
	288	244

C H I E F E X E C U T I V E 'S - NON S U P P O R T S E R V I C E S

DEPARTMENTAL SUMMARY

	Budget 2024/25 £'000	Budget 2025/26 £'000
Expenditure		
Staff Costs	26	-
Property Costs	-	-
Transport Costs	3	3
Supplies & Services	598	573
Third Party Payments	-	-
Transfer Payments	-	-
Support Services	645	652
Total Expenditure	1,272	1,228
Income		
Ring Fenced Government Grant	-	-
Other Govt Grant	-	-
Recharge Income (Internal)	700	700
Fees Charges etc	284	284
Other Income	-	-
Total Income	984	984
Net Expenditure	288	244

J O I N T   B O A R D S

	Budget 2024/25 £'000	Budget 2025/26 £'000
Passenger Transport	1,832	1,832
Valuation	598	598
	2,430	2,430

MISCELLANEOUS SERVICES

	Budget 2024/25 £'000	Budget 2025/26 £'000
Restructuring etc. costs	412	684
Miscellaneous	32	43
Superannuation Additional Allowances	1,039	1,461
Other Operational Costs	352	650
Non Domestic Rates - Devolved Empty & Other	308	308
Pension Windfall	6,340	6,415
Corporate Budget Management	(800)	-
	7,683	9,561

SUPPORT SERVICES

SUMMARY

	Budget 2024/25 £'000	Budget 2025/26 £'000
Chief Executive's Office	434	495
Accountancy	1,397	1,481
Legal	491	525
Procurement	304	329
Internal Audit	286	309
Strategy Support and Insight	603	612
Digital Transformation	595	1,092
Communications and Printing	525	540
Human Resources and Payroll	1,929	2,048
Customer First	65	69
Revenues - Account Receivable & Payable and Insurance	606	683
Digital Services	6,619	6,849
Property and Technical	1,516	1,871
	15,370	16,903

ALLOCATION:-

Education (including ERCLT)	6,768	7,613
Health & Social Care Partnership	2,616	2,820
Business Operations & Partnerships	1,833	1,945
Chief Executives - Non Support	645	652
Environment	2,561	2,870
Joint Boards	-	-
Miscellaneous	32	43
Housing Revenue Account	915	960
	15,370	16,903

ENVIRONMENT - SUPPORT

DEPARTMENTAL SUMMARY

	Budget 2024/25 £'000	Budget 2025/26 £'000
Expenditure		
Staff Costs	2,423	2,690
Property Costs	28	28
Transport Costs	18	18
Supplies & Services	258	316
Third Party Payments	-	-
Transfer Payments	-	-
Support Services	-	-
Total Expenditure	2,727	3,052
Income		
Ring Fenced Government Grant	-	-
Other Govt Grant	-	-
Recharge Income (Internal)	1,211	1,181
Fees Charges etc	-	-
Other Income	-	-
Total Income	1,211	1,181
Net Expenditure	1,516	1,871

BUSINESS OPERATIONS & PARTNERSHIPS - SUPPORT SERVICES

DEPARTMENTAL SUMMARY

	Budget 2024/25 £'000	Budget 2025/26 £'000
Expenditure		
Staff Costs	7,170	7,770
Property Costs	1	1
Transport Costs	20	21
Supplies & Services	5,587	5,595
Third Party Payments	26	30
Transfer Payments	-	-
Support Services	-	-
Total Expenditure	12,804	13,417
Income		
Ring Fenced Government Grant	-	-
Other Government Grant	-	-
Recharge Income (Internal)	1,851	1,513 *
Fees Charges etc.	11	11
Other Income	-	-
Total Income	1,862	1,524
Net Expenditure	10,942	11,893

* Includes a £838k (2024/25 £1,178k) contribution from the Modernisation fund

C H I E F E X E C U T I V E 'S - S U P P O R T S E R V I C E S

DEPARTMENTAL SUMMARY

	Budget 2024/25 £'000	Budget 2025/26 £'000
Expenditure		
Staff Costs	3,152	3,300
Property Costs	-	-
Transport Costs	-	-
Supplies & Services	242	248
Third Party Payments	81	81
Transfer Payments	-	-
Support Services	-	-
Total Expenditure	3,475	3,629
Income		
Ring Fenced Government Grant	-	-
Other Govt Grant	-	-
Recharge Income (Internal)	479	406
Fees Charges etc	38	38
Other Income	46	46
Total Income	563	490
Net Expenditure	2,912	3,139

SAVINGS PROPOSALS 2025/26 **ANNEX B**

Description of Saving	Pre-agreed 13 December 2023	Pre-agreed 23 October 2024	Further Proposals 26 February 2025	2025/26 Total
	£m	£m	£m	**£m**
EDUCATION				
Reduction other staff groups (excluding teachers) in ELC and school	0.074			**0.074**
Reduction in centrally based business support and budget teams	0.054			**0.054**
Reduction in janitorial support	0.082			**0.082**
Reduction in Cleaning (ELC and Schools)	0.208			**0.208**
Reduction in centrally based support posts			0.191	**0.191**
Reduction in ERCLT management fee			0.200	**0.200**
	0.418	**0**	**0.391**	**0.809**
ENVIRONMENT				
Reduction in School Crossing Patrol Service	0.070			**0.070**
Reduction in frequency of brown bin collections to fortnightly		0.356		**0.356**
	0.070	**0.356**	**0**	**0.426**
TOTAL SAVINGS PROPOSALS 2025/26	**0.488**	**0.356**	**0.391**	**1.235**

AGENDA ITEM No. 10

EAST RENFREWSHIRE COUNCIL

26 February 2025

Report by Head of Finance

GENERAL FUND CAPITAL PLAN 2025/26 TO 2034/35

PURPOSE OF REPORT

1. The purpose of this report is to present for consideration the General Fund Capital Plan covering the 10 years from 2025/26 to 2034/35. This has been prepared in line with the approach set out in the Capital Investment Strategy, which covers the period 2024 to 2034, and was last updated in February 2024.

RECOMMENDATIONS

2. The Council is invited to approve the programme for 2025/26 and authorise officers to progress the projects contained therein.

BACKGROUND

3. The Council has a Capital Investment Strategy to inform investment priorities and to ensure that the capital infrastructure required is in place to service the Council's population demands. This looks beyond the Capital Plan, which covers ten years. This Strategy sets the framework for capital investment expenditure decisions and the arrangements for governance and monitoring of these plans. The current version of the Capital Investment Strategy, which covers the period 2024 to 2034, was last updated during February 2024.

4. As with all public sector bodies, the Council has faced significant external market pressures in relation to both supply and cost of capital works in recent years, which has impacted on the ability to deliver the plan in full each year. Given this environment, alongside the challenging financial landscape the Council will continue to operate in for many years, the Capital Investment Strategy will be refreshed across spring 2025, to update the approach to how the capital programme is both determined and managed moving forward. This will be brought to Council for approval in autumn 2025. The relationship between capital investment planning and revenue consequences will be strengthened, and the governance processes and forums for capital strategy, planning, reporting and monitoring will be reviewed.

5. Funding for the Capital Plan comes from a range of sources including: Scottish Government (General Capital Grant and Specific Ring-fenced Capital Grants), specific City Deal funding, small capital grants from other bodies, developer contributions and capital receipts from asset disposals, with the balance and majority of funding coming from borrowing. This borrowing is repaid each year from the revenue budget through loan charges.

6. The current capital plan reflects the growth and ambition of the Council, with current plans designed to support the delivery of the Council's key plans and strategies, including asset management strategies for key areas of infrastructure. It is also designed to support the future infrastructure requirements across the Council area.

7. In addition to the Capital Plan presented today, on 6 February 2025 the Cabinet approved the use of £1.0m of the Investment in the Future Reserve to purchase additional

housing units and / or modular units, in response to the declaration of a Housing Emergency by the Council in September 2024. This is in addition to the investment of £1.0m from reserves that was allocated for the same purpose in 2024/25. This further £1.0m investment will be reflected in the next update to the Capital Plan in June 2025.

8. Whilst the Council only approves the capital programme for the coming year, the Capital Plan also includes figures for future years so that long-term capital investment plans and their associated financial impacts can be recognised. The rolling Capital Plan aligns with best practice in covering the next ten years.

RESOURCES

9. Details of the available resources are provided in Appendix B.

10. Over the next financial year, the Council does not currently have any confirmed capital receipts from the disposal of assets. This will be kept under review and disposals will only be progressed provided they demonstrate best value.

11. The Council's general capital grant for 2025/26 has been confirmed as £7.2 million. This represents an increase of £1.4 million against the comparable core general capital grant for 2024/25. It also includes £0.6 million for Private Sector Housing Grant, which is accounted for separately from the Council's capital programme.

12. As noted above, the borrowing for capital infrastructure is funded through annual loans fund payments, which are charged to the revenue budget and repaid over the life time of the asset. Interest rates continue to be higher than in recent years, with the expected timescale for these rates to become more favourable continuing to be pushed out into late 2025 and beyond. The interest rate directly impacts on the cost of new borrowing, and it is important to remember that new borrowing must be repaid in addition to existing borrowing. As well as the Capital Investment Strategy, all borrowing decisions are supported by the Treasury Management Strategy to ensure that investment plans remain affordable and sustainable.

13. The Capital Plan assumes total borrowing of £151.6m, (£54.4m in 2025/26, £35.8 million in 2026/27, £18.5m in 2027/28 and £42.9m in later years). The cost of all elements of the planned borrowing has been factored into the Council's revenue budget plans for 2025/26 and beyond, producing significant increases in loan repayments over the next five years.

14. Finance staff will continue to smooth repayment profiles between years to minimise any large variations in repayments between years.

15. The Council continues to have active discussions with developers over contributions receivable in relation to housing developments. The timescale and amount of such receipts are often difficult to evaluate fully until each scheme progresses, however estimates of contributions totalling more than £2.1m have been reflected within the proposed Plan. These will be firmed up as developments progress.

16. In recent years, the Council has built up and utilised a significant Capital Reserve to assist in supporting major projects. The projected balance on this reserve at 31 March 2025 available to support the General Fund Programme is £7.029m. This provides an element of cover should unforeseen costs arise. There are no plans to draw further on this reserve in 2025/26 to support the General Fund Programme.

EXPENDITURE PLAN

17. The detailed programme for 2025/26 and the outline plan for the subsequent nine years are set out in Appendix A. These plans are developed to support the delivery of the Council's overall strategy and the 'Place to Grow' partnership vision. They have also been compiled in line with the approach set out in the Council's Capital Investment Strategy.

18. Significant capital investment of £222.3m is planned for the ten-year period and includes the following (with total project costs quoted below including the current or previous financial years' spend, where appropriate, to assist in clarifying the total investment on a particular project):

Our Children and Young People Flourish

- Investment of £5.4m to repurpose and expand spaces at Mearns Castle High School to address capacity demands and improve the learning environment.
- Investment of £3.4m to extend facilities at Maidenhill Primary School to address further new housebuilding in the area.
- Investment of £2.6m to further improve and extend Free School Meal provision across the school estate.
- A further £1.0m to be invested over the next five years to improve learning environments to better meet modern learning styles and curricular experiences across the school estate.
- Investment of £1.2m to provide more capacity at St Luke's High School.
- Investment of £1.2m to increase classroom and dining capacity at Eastwood High School.
- Investment of £6.5m to fund condition improvements at priority areas within the Primary School estate.
- Investment of £4.4m over the next ten years to upgrade the Council's artificial sports pitches.

Our Communities and Places Thrive

- Further investment of £22.6m in City Deal infrastructure projects over the next two years, including improving the Aurs Road link between Barrhead and Newton Mearns, a new railway halt for Barrhead south and country park developments. This is part of an overall regional investment of £1.1bn across the Glasgow City region, which will bring a wide range of benefits to residents such as increased access to jobs.
- Major capital investment in Roads projects, in addition to the above noted investment in the Aurs Road as part of the City Deal, which will total more than £30.0m over the ten year period. This includes £14.0m of additional investment aimed at achieving a significant improvement in the condition and safety of roads.
- Investment of £1.6m in CCTV technology including improvements to the Council's response centre.

We All Live Well

- Investment of up to £56.6m for the provision of new high quality leisure facilities in Eastwood Park.

- Investment of £1.5m investment over the next ten years to improve existing cultural, leisure and community facilities.

- Investment of £0.9m in Overlee House to increase the provision of homelessness accommodation.

Corporate

- A provision of over £26.7m for further ICT technology projects over the ten year period to support necessary corporate improvements, enhance technology available in schools and other Council premises and provide a more modern, digital service to residents.

- A provision of £28.1m over the period of the plan for improvements necessary to Council property, including the maintenance of the existing school estate and renovation of the Eastwood Council Headquarters.

CONCLUSIONS

19. Substantial borrowing has been planned over the next three years to support the Capital Plan and the revenue consequences have been factored into the Council's revenue budget. Planned 2025/26 expenditure is in line with available resources.

20. The expenditure plan for subsequent years will continue to be subject to review to align it to the 'Place to Grow' partnership vision, and in light of the progress on capital receipts and the levels of funding provided by the Scottish Government.

RECOMMENDATIONS

21. The Council is invited to approve the programme for 2025/26 and authorise officers to progress the projects contained therein.

Further information is available from K Stanners, Head of Finance, phone 0141 577 3035.

EAST RENFREWSHIRE COUNCIL

GENERAL FUND CAPITAL PROGRAMME

10 YEAR PLAN

2025/2026 - 2034/2035

	£'000											
	Estimated Spend Prior to 31.03.25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	Total
Property - Schools	33,785	11,486	1,977	1,624	5,100	4,100	2,029	923	900	900	900	63,724
Property - Culture & Leisure	6,093	15,648	23,020	11,924	2,313	9,859	6,733	572	100	0	331	76,593
Property - Other	10,826	23,178	7,849	2,190	960	960	960	960	960	960	960	50,763
Open Spaces	6,326	2,426	638	500	500	500	500	500	500	500	500	13,390
Roads	22,473	8,832	6,175	5,660	4,800	1,300	1,300	1,300	1,300	1,300	1,300	55,740
Corporate Wide - ICT	4,797	4,706	3,307	2,347	2,451	2,800	2,182	2,347	2,451	2,800	2,182	32,370
Fleet	10	95	1,110	1,445	971	2,762	1,502	909	1,445	971	2,762	13,982
Expenditure Total	84,310	66,371	44,076	25,690	17,095	22,281	15,206	7,511	7,656	7,431	8,935	306,562

EAST RENFREWSHIRE COUNCIL

GENERAL FUND CAPITAL PROGRAMME

10 YEAR PLAN

2025/2026 - 2034/2035

Property - Schools

		£'000											
COST CODE	**PROJECT NAME**	**Estimated Spend Prior to 31.03.25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**	**2034/35**	**Total**
Grouped	Schools Major Maintenance (Annex 1)	0	900	900	900	900	900	900	900	900	900	900	9,000
800050057	Neilston Learning Campus	27,574	590	0	0	1,000							29,164
800050065	Improving Learning	325	200	200	200	200	200						1,325
800050067	Isobel Mair External Classrooms	924	98										1,022
	Free School Meals	449	2,194										2,643
800000023	Early Learning & Childcare & School Places - St John's PS	1,960	70										2,030
	Gaelic Medium PS	765	15										780
	Secondary School Places - St Lukes Repurposing							1,129	23				1,152
	Maidenhill Primary School Exension	1,108	2,268	50									3,426
	Mearns Castle High School Extension	600	3,921	827	24								5,372
	Eastwood HS Dining Area	80	520										600

EAST RENFREWSHIRE COUNCIL

GENERAL FUND CAPITAL PROGRAMME

10 YEAR PLAN

2025/2026 - 2034/2035

Property - Schools

		£'000											
COST CODE	**PROJECT NAME**	**Estimated Spend Prior to 31.03.25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**	**2034/35**	**Total**
	Improvements to Primary Schools				500	3,000	3,000						6,500
	Changing Places Toilet: St Joseph's Primary School		110										110
	Eastwood High School - Modular Classrooms (Part Funded by Developer Contributions)		600										600
		33,785	11,486	1,977	1,624	5,100	4,100	2,029	923	900	900	900	63,724

EAST RENFREWSHIRE COUNCIL

GENERAL FUND CAPITAL PROGRAMME

10 YEAR PLAN

2025/2026 - 2034/2035

Property - Culture & Leisure

		£'000											
COST CODE	PROJECT NAME	Estimated Spend Prior to 31.03.25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	Total
800200019	Eastwood Park Leisure - Refurbishment	5,126	15,548	22,920	11,537	1,469							56,600
800200021	Neilston Leisure	136			287	744	9,428	6,633	472				17,700
800200020	ERCLT General Building Improvement Fund	831	100	100	100	100	100	100	100	100			1,631
800200015	Equipment - Gym and Theatre						277					277	554
	Theatre Equipment						54					54	108
		6,093	15,648	23,020	11,924	2,313	9,859	6,733	572	100	0	331	76,593

EAST RENFREWSHIRE COUNCIL

GENERAL FUND CAPITAL PROGRAMME

10 YEAR PLAN

2025/2026 - 2034/2035

Property - Other

		£'000											
COST CODE	PROJECT NAME	Estimated Spend Prior to 31.03.25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	Total
	1. City Deal												
Grouped	Barrhead South Access - Railway Station	3,480	14,401	450									18,331
804000009	Country Park Visitor Centre & Infrastructure	621	1,135	1,044									2,800
	City Deal - Additional Project			2,300									2,300
	2. Environment Other Projects												
800420016	Overlee House Extension	127	755	45									927
	3. Council Wide Property												
Grouped	Retentions - All Services	0	50	50	50	50	50	50	50	50	50	50	500
Grouped	Property Maintenance (Annex 2)	3,611	1,600	2,940	2,140	910	910	910	910	910	910	910	16,661
800420013	Eastwood Park Campus Improvements	350	172										522

EAST RENFREWSHIRE COUNCIL

GENERAL FUND CAPITAL PROGRAMME

10 YEAR PLAN

2025/2026 - 2034/2035

Property - Other

		£'000											
COST CODE	PROJECT NAME	Estimated Spend Prior to 31.03.25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	Total
800404017	Office Accommodation Barrhead	2,152	100										2,252
	Thornliebank Depot Electricity Sub Station	25	375										400
	Eastwood Refurbishment	400	4,400	1,020									5,820
	Response Centre Refurbishment	60	190										250
		10,826	23,178	7,849	2,190	960	960	960	960	960	960	960	50,763

EAST RENFREWSHIRE COUNCIL

GENERAL FUND CAPITAL PROGRAMME

10 YEAR PLAN

2025/2026 - 2034/2035

Open Spaces

COST CODE	PROJECT NAME	£'000 Estimated Spend Prior to 31.03.25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	Total
	1. Regeneration												
802000015	White Cart Tributaries - Environmental Improvements	3,290	605										3,895
802000032	Regeneration Projects - Provisional Sums	230	195	238	100	100	100	100	100	100	100	100	1,463
	2. Environment - Other Projects												
802200007	Parks, Cemeteries & Pitch Improvements	1,459	200										1,659
802200020	Renewal of Playparks	611	524										1,135
802200021	Nature Restoration	86	119										205
Grouped	Artificial Pitch Replacements	650	783	400	400	400	400	400	400	400	400	400	5,033
		6,326	2,426	638	500	500	500	500	500	500	500	500	13,390

EAST RENFREWSHIRE COUNCIL

GENERAL FUND CAPITAL PROGRAMME

10 YEAR PLAN

2025/2026 - 2034/2035

Roads

		£'000											
COST CODE	PROJECT NAME	Estimated Spend Prior to 31.03.25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	Total
	1. City Deal												
804000001	Levern Valley - Aurs Road Project	18,687	2,737	515									21,939
	2. ERC Roads												
803000004	Lighting - Core Cable & Equipment Replacement			160	160	160	160	160	160	160	160	160	1,440
803000007	Bridges Refurbishment & Pointing Work		53	53	53	53	53	53	53	53	53	53	530
803000015	Principal Inspection Group 1-6		21	21	21	21	21	21	21	21	21	21	210
803000025	Traffic Calming Studies/Road Safety		65	65	65	65	65	65	65	65	65	65	650
803000030	A77 Ayr Road Reconstruction	225	25										250
	Kirkton Road Neilston		97										97
	Springhill Road Barrhead		67										67
	Arhturlie Street Barrhead		30										30
	A736 Kelburn Street Barrhead		75										75
	Burnfield Road Giffnock		126										126

EAST RENFREWSHIRE COUNCIL

GENERAL FUND CAPITAL PROGRAMME

10 YEAR PLAN

2025/2026 - 2034/2035

Roads

		£'000											
COST CODE	PROJECT NAME	Estimated Spend Prior to 31.03.25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	Total
	Eaglesham Road/Mearns Road Newton Mearns		103										103
	Craigton Road Newton Mearns		134										134
	Allans Corner Barrhead		53										53
	Merryvale Avenue Giffnock		114										114
	Millhall Road Eaglesham		158										158
	Crookfur Road Newton Mearns		44										44
803000189	Provisional Sums - Roads			1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001	9,009
Grouped	Roads Capital Works (Carriageways and Other Infrastructure Assets)	2,789	3,500	3,500	3,500	3,500							16,789
	Street Lighting Column Replacement & Lumenaries		860	860	860								2,580
803000024	Active Travel Infrastructure Fund (formerly Cycling, Walking and Safer Streets)	672	430										1,102
	Traffic Signals - School routes	100	140										240
		22,473	8,832	6,175	5,660	4,800	1,300	1,300	1,300	1,300	1,300	1,300	55,740

EAST RENFREWSHIRE COUNCIL

GENERAL FUND CAPITAL PROGRAMME

10 YEAR PLAN

2025/2026 - 2034/2035

Council Wide ICT

		£'000											
COST CODE	PROJECT NAME	Estimated Spend Prior to 31.03.25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	Total
805000002	ICT Infrastructure Projects		500	500	500	500	500	500	500	500	500	500	5,000
805000025	IT General Provision		1,830	1,841	1,341	1,341	1,341	1,341	1,341	1,341	1,341	1,341	14,399
805000003	Education Network		250	250	100	100	100	100	100	100	100	100	1,300
805000022	The Digital Workplace	446	18										464
805000001	Core Corporate Finance, Payroll & HR	3,605	145										3,750
800050004	Education - Computer Equipment		839	221	386	490	839	221	386	490	839	221	4,932
805600001	ERCLT People's Network		20	20	20	20	20	20	20	20	20	20	200
805300003	Education CCTV	426	200										626
	CCTV Aurs Road Promenade (Funded by Developer Contributions)		54										54
	Property CCTV		180	475									655
	The Way We Work Monitors/Conference Screens	20	120										140

EAST RENFREWSHIRE COUNCIL

GENERAL FUND CAPITAL PROGRAMME

10 YEAR PLAN

2025/2026 - 2034/2035

Council Wide ICT

		£'000											
COST CODE	**PROJECT NAME**	**Estimated Spend Prior to 31.03.25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32**	**2032/33**	**2033/34**	**2034/35**	**Total**
	ICT Infrastructure Review (Includes £200k for improvements at Eastwood HQ)	300	550										850
		4,797	4,706	3,307	2,347	2,451	2,800	2,182	2,347	2,451	2,800	2,182	32,370

EAST RENFREWSHIRE COUNCIL

GENERAL FUND CAPITAL PROGRAMME

10 YEAR PLAN

2025/2026 - 2034/2035

Fleet

COST CODE	PROJECT NAME	Estimated Spend Prior to 31.03.25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	Total
		£'000											
806000004	HSCP - Vehicles						501					501	1,002
806000001	Education - Vehicles			168			293	102				293	856
806000002	Environment - Vehicles			942	1,445	866	1,968	1,400	909	1,445	866	1,968	11,809
806000005	Environment - GPRS System	10	95			105					105		315
		10	95	1,110	1,445	971	2,762	1,502	909	1,445	971	2,762	13,982

EAST RENFREWSHIRE COUNCIL

GENERAL FUND CAPITAL PROGRAMME

10 YEAR PLAN

2025/2026 - 2034/2035

Schools - Major Maintenance Annex

		£'000											
COST CODE	PROJECT NAME	Estimated Spend Prior to 31.03.25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	Total
	Provisional Sums	0	900	900	900	900	900	900	900	900	900	900	9,000
		0	900	900	900	900	900	900	900	900	900	900	9,000

EAST RENFREWSHIRE COUNCIL

GENERAL FUND CAPITAL PROGRAMME

10 YEAR PLAN

2025/2026 - 2034/2035

Property Maintenance - Annex

		£'000											
COST CODE	PROJECT NAME	Estimated Spend Prior to 31.03.25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	Total
800404001	HardWire Testing		40										40
800404003	COSHH Upgrade		60										60
Grouped	Asset Management		25										25
800404009	Fire Risk Assessment Adaptations		60	150	150	150	150	150	150	150	150	150	1,410
800404012	Structural Surveys & Improvements		40	40	40	40	40	40	40	40	40	40	400
800600001	CEEF/Salix Energy Efficiency		75	75	75	75	75	75	75	75	75	75	750
800404005-6	Boiler & Roof Replacement		400	450	450								1,300
800404014	Legionella Remedial Improvements		100										100
800420017	Ventilation Wks (incl.CO2 monitors)	2,811		500	500								3,811
800420018	Provisional Sum			925	925	645	645	645	645	645	645	645	6,365
	Additional Heating and Roofing Works	800	800	800									2,400
		3,611	1,600	2,940	2,140	910	910	910	910	910	910	910	16,661

APPENDIX B

EAST RENFREWSHIRE COUNCIL

GENERAL FUND CAPITAL PROGRAMME

10 YEAR PLAN

2025/2026 - 2034/2035

Resources

	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	TOTAL £'000
GRANTS											
GENERAL CAPITAL GRANT - MAIN	6,083	6,083	6,083	6,083	6,083	6,083	6,083	6,083	6,083	6,083	60,830
GENERAL CAPITAL GRANT - RENEWAL OF PLAYPARKS	524										524
SPORTSCOTLAND			300								300
ACTIVE TRAVEL INFRASTRUCTURE FUND	430										430
SEPA (WHITE CART ENV. IMPROVEMENTS)	605										605
CITY DEAL	2,000	2,000									4,000
SALIX/CENTRAL ENERGY EFFICIENCY FUND	75	75	75	75	75	75	75	75	75	75	750
TOTAL GRANTS	9,717	8,158	6,458	6,158	6,158	6,158	6,158	6,158	6,158	6,158	67,439
DEVELOPER CONTRIBUTIONS	1,676	100	100	100	110	0	0	0	0		2,086
EAST REN. CULTURE & LEISURE TRUST CONTRIBUTION			600								600
INVESTMENT FOR FUTURE RESERVE	550										550
BORROWING											
ASSETS	934	1,331	1,831	1,461	3,932	1,723	1,295	1,935	1,810	3,419	19,671
CITY DEAL	16,273	2,309									18,582
GENERAL	37,221	32,178	16,701	9,376	12,081	7,325	58	-437	-537	-642	113,324
TOTAL BORROWING	54,428	35,818	18,532	10,837	16,013	9,048	1,353	1,498	1,273	2,777	151,577
TOTAL RESOURCES	**66,371**	**44,076**	**25,690**	**17,095**	**22,281**	**15,206**	**7,511**	**7,656**	**7,431**	**8,935**	**222,252**

AGENDA ITEM No. 11

EAST RENFREWSHIRE COUNCIL

27 February 2025

Report by Director of Environment

HOUSING REVENUE ACCOUNT: RENT SETTING 2025/26

PURPOSE OF REPORT

1. To make recommendations to the Council in relation to the proposed rent and service charge increase for council housing for 2025/26.

RECOMMENDATIONS

2. The Council is asked to approve the recommendation that a 4.9% rent increase be applied for 2025/26.

BACKGROUND

3. When determining the level of rent increase the Council requires to deliver its landlord service, it is necessary to establish what the relevant legislative requirements will be for the future. In addition, it is necessary to identify any local priorities the Council may have. These requirements and priorities then need to be costed.

4. Once this information is available, an exercise is then undertaken to ensure that the Council achieves an acceptable balance between meeting these requirements and priorities, and agreeing rent levels that are sustainable, affordable and acceptable to tenants. It should be noted that the impact of inflation and interest rates remains a significant factor.

5. It is recognised that this is a challenging process as aspirations in relation to improved service delivery can often be curtailed due to the need to keep rents at an acceptable level.

REPORT

National and local priorities for Housing

6. The Council has two key legislative challenges which impact how rental income is utilised. The Scottish Housing Quality Standard (SHQS) was achieved in 2015 but requires significant investment to maintain. In addition the Energy Efficiency Standard for Social Housing (EESSH) was also introduced by the Scottish Government in March 2014 and requires all Scottish social landlords to substantially improve the energy efficiency rating of their houses over and above that required by the SHQS.

7. In June 2019, the Government introduced new targets through EESSH2; with two key milestones to be achieved by 2025 and 2032. However in 2023, the Scottish Government decided to review the EESSH, with a view to strengthen and realign the standard with the net-zero carbon emission target. A consultation to seek views on the new standard that will be introduced – Social Housing Net Zero Standard (SHNZS), closed in March 2024. The outcome of the consultation is expected to be published later in 2025.

8. These legislative challenges are in addition to the "routine" requirements of the service such as continuing to meet "Right to Repair" commitments, planned maintenance, managing the housing waiting list and enforcing tenancy conditions in relation to estate management and anti-social behaviour.

9. As the largest social landlord in East Renfrewshire, current and long term financial decisions are key to ensure good quality homes. The annual decision taken on rent setting is essential to ensure current and longer term investment decisions are supported by the appropriate income.

10. Additionally, Housing Services are a significant contributor towards the Community Planning Partnerships new plan for East Renfrewshire - "A Place To Grow". As the largest social housing provider in East Renfrewshire, through good quality affordable housing, Housing Services can provide homes that meet the needs of our children and young people, contribute towards thriving communities and ensure our homes meet the varying needs of local residents.

Rent Increase

11. When setting a rent level, it is essential to assess if the proposed increase is affordable. As part of the rent setting process the Housing Services Business Plan was reviewed to undertake an affordability assessment of income for those in employment and those in receipt of benefits. Available guidance states that housing costs should be no greater than 25-35% of a household's total income and the proposed rent increase of 4.9% does not breach this level.

12. It is also useful to compare past and current rent levels with other social landlords. The table below details approximate weekly rent levels for other social landlords operating in East Renfrewshire. It should be noted that East Renfrewshire Council's rent charges are calculated on a 48-week basis. For comparison purposes, all the figures presented below are adjusted to a 52-week basis to ensure the data is comparable.

Landlord	**2023/24 Average Rent Charge**	**2024/25 Estimated Average Rent Charge**
East Renfrewshire Council*	**£85.70**	**£91.43**
All Scottish Landlords including Housing Associations	£91.81	£97.32
Link Housing Association	£107.65	£115.72
Barrhead Housing Association	£96.46	£100.84
Hanover Housing Association	£130.76	£139.51

**please note an error was identified in the information previously published as the average rent was shown over 48 weeks. A correction has been submitted to the Scottish Housing Regulator.*

13. As a social landlord, East Renfrewshire Council operates within the same labour, housing and wage markets as all other landlords in the area. The current and predicted average rent charges above show that East Renfrewshire Council's rents are lower than other local social housing landlords' rents. Confirmed benchmarking figures for 2024/25 will not be published until September 2025.

Staffing

14. The increasing staffing costs are a result of the average 3.6% pay award increase for 2024/25 and Council wide budgetary assumptions for 2025/26. The staffing costs have also been increased to address the increase in employer National Insurance contributions.

15. In recent years, Housing Services have found it challenging to recruit suitable trades' operatives and as such have required to rely on the support of contractors. With an ageing workforce, it is essential that the service plans for future workforce needs. Therefore Housing Services will recruit 3 trade apprentice in 2025/26.

16. The increase in staffing costs have been partially off-set by reduced pension contributions for 2024/25 and 2025/26.

Loan Charges

17. Loan charges have been calculated in line with the policy set out in section 3.4 of the Treasury Management Strategy report submitted as a separate or previous item to this Council meeting. The Council operates under prudential borrowing guidelines and in previous years the prudential ratio of loan repayments to turnover has not exceeded 40%. Loan repayments for 2025/26 remain under this ratio at approximately 34%.

Contribution from Reserves

18. Members will note that for 2024/25 it was predicted that up to £775k of reserves would be required. Through the use of the pension windfall income, this is expected to reduce to £100k. For 2025/26, with the assistance of temporary resource and the review of the repayment methodology and terms, a significantly smaller draw down is required of £250k.

Estate Investments

19. The revenue and capital decisions taken by Housing Services are driven by statutory requirements. However this leaves little investment room for issues that are important to tenants, especially estate improvements. For 2025/26, the rent increase has permitted a £300k increase on sub-contractor spend to improve the local area. In addition to this revenue fund, £250k of reserves will be used to support Capital Funded From Revenue(CFFR) to support a programme of £500k of capital improvements investments to local estates as detailed in the Housing Capital Programme submitted as a separate or previous item to this Council meeting. Examples of desired estate improvements can include fencing, paving, bin stores, slabs, etc.

20. Full details of the draft Housing Revenue Account for 2025/26 are shown in the appendix 1.

FINANCE AND EFFICIENCY

HRA Business Plan

21. Members will note that a paper was presented to Cabinet on 7 November 2024 discussing the review of the Housing Revenue Account (HRA) business plan. The paper noted the high loan charges for 2024/25 & 2025/26 as a result of historic debt. However, the paper also noted that from 2026/27 loan charges will drop but that any additional income derived from this drop should be used to return reserves levels to an appropriate level and fund capital works thereby limiting excessive future borrowing.

22. As noted in paragraph 7, the Scottish Government are expected to announce a new Social Housing Net Zero Standard (SHNZS) later in 2025. This is expected to require extensive investment and as such it is vital to ensure the business plan has the capacity to meet these costs.

Tenant Support Fund

23. In recent years, Housing Services have been able to support tenants in arrears and facing financial hardship utilising COVID grant and LACER funding. These programmes have shown that with support, some tenants are able to tackle their arrears through affordable repayment plans and thereafter maintain a clear rent account.

24. Whilst these external funds are no longer available Housing Services still wish to continue to support tenants in hardship and reduce arrears. An allocation of £50k will be used to fund a pilot to determine the impact of an ongoing tenant support fund. To qualify tenants will have to meet the following criteria:

- the tenant's income and access to sources of financial support have been maximised (such as Housing Benefit/Universal Credit housing costs, hardship Discretionary Housing Payment, etc.), and
- the tenant is in agreement with the financial assistance (example adhering to a payment plan or engaging with money advice or support services), and
- the tenant is experiencing hardship or financial difficulties, and/or
- the tenant has vulnerabilities or other debts which could place them at risk of tenancy failure and homelessness.

25. A key driver of expenditure within Housing Services relates to repairs and the service continues to ensure value for money is delivered by effective procurement mechanisms. A review of the IT systems and processes to deliver the repairs service is underway. This project aims to reduce inefficient paper based process and allow the repairs service to be delivered in a more efficient modernised manner.

CONSULTATION

26. The Housing (Scotland) Act 2001 requires social landlords to consult tenants and take account of their views when making decisions about proposed rent increases.

27. To undertake the consultation, Housing Services:

- wrote directly to all ERC tenants with a survey form;
- the survey was promoted on the Council's social media platforms; and
- there were drop-ins held in Barrhead, Newton Mearns, Thornliebank & Clarkston.

28. Housing Services received 101 completed surveys (3.16% of the total issued) and the results are as follows:

Proposed % increase	No of returns	% of tenants response
4.9%	76	75%
5.9%	17	17%
No preference	8	8%

IMPLICATIONS OF THE PROPOSALS

29. The feedback indicates a range of views on the options provided but with a preference for 4.9% increase for rent and sheltered housing service charges.

30. The proposed increase is deemed to be affordable, is comparable in relation to other landlords and is essential to provide needed investment to maintain and improve the service delivered to East Renfrewshire tenants.

31. This report does not have any implications in terms of property, staffing, legal, equalities and sustainability at this point in time. A review of IT systems and processes for the Repairs Service is underway, and this long term project may have future implications for IT.

CONCLUSIONS

32. It is proposed that council house rents increase by 4.9% with effect from April 2021. It should be noted that this increase will also apply to lock ups and garage sites held in the Housing Revenue Account.

33. This proposal of 4.9% ensures that the income from rents is at a level which is sufficient to meet the statutory requirements of the service, such as continuing to meet the SHQS and improving energy efficiency required by EESSH whilst still being affordable.

RECOMMENDATIONS

34. The Council is asked to approve the recommendation that a 4.9% rent increase be applied for 2025/26.

Caitriona McAuley
Director of Environment

Further details can be obtained from Mark Rodgers, Head of Housing & Property on mark.rodgers@eastrenfrewshire.gov.uk

February 2025

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Appendix 1

	EAST RENFREWSHIRE HOUSING REVENUE ACCOUNT			
	ESTIMATED EXPENDITURE FOR THE YEAR FROM 1.4.25 TO 31.3.26			
	HRA – OVERALL SUMMARY		**2024/25 Budget £**	**2025/26 Estimate £**
1	Payroll costs			
	a	Basic Pay LGE	4,265,600	4,624,300
	b	Overtime	55,600	55,600
	c	National Insurance	419,400	601,700
	d	Superannuation	735,300	300,600
	e	Other expenses	8,400	8,400
	f	Apprentice Levy	21,100	23,100
	g	Agency staff	100,000	100,000
			5,605,400	**5,713,700**
2	Property costs			
	a	Rates	6,700	3,500
	b	Council Tax	24,000	24,000
	c	Rents	14,000	14,000
	d	Insurance premium	234,500	234,500
	e	Insurance – provision for excess	47,800	47,800
	f	Repairs & Maintenance	1,000	19,500
	g	Upkeep of ground	40,000	56,000
	h	Mixed Tenure contribution	222,500	222,500
	i	Fire protection	16,000	20,000
	j	Laundry equipment maintenance	20,000	20,000
	k	Lift maintenance	30,700	20,700
	l	Decants	8,000	8,000
	m	Private contractors HRA Misc	50,000	40,000
	n	Gas maintenance contract	340,000	350,000
	o	Asbestos	55,800	35,800
	p	Legionella	23,300	20,300
	q	Community alarms	19,000	38,000
	r	Cleaning	46,800	48,300
	s	Electricity	160,500	164,200
	t	Gas	218,800	223,800
	u	Property recharge	65,700	65,700
	v	Council House Deed Plans	500	1000
	w	Security General	2,000	0
			1,647,600	**1,677,600**
3	**Transport costs**			
	a	Fixed maintenance	50,100	35,300
	b	Additional work	24,900	10,500
	c	Overage vehicles	25,000	25,600
	d	Tyres	3,400	10,000
	e	Hires	6,500	16,600

	f	Fuel charges	45,900	47,000
	g	Garaging charges	5,800	3,000
	h	Other transport costs	5,200	5,300
			166,800	**153,300**
4	**Supplies & services**			
	a	Purchase & hire of equipment	23,000	43,000
	b	Purchase, maintenance & hire of tools	21,500	21,500
	c	Materials – non stock	100,000	75,000
	d	IT Equipment & computer development	80,000	92,500
	e	Materials – stock	250,000	300,000
	f	Uniforms & protective clothing	8,600	18,600
	g	Winter maintenance council buildings	500	500
	h	Sub-contractors	1,000,000	1,302,300
	i	Printing, stationery, printing, postages	6,500	2,500
	j	Training	14,000	20,000
	k	Dept, Directorate and support costs	187,400	187,400
	l	Accommodation Direct Recharge	178,500	176,400
	m	Customer First	242,700	196,200
	n	Insurance – public liability claims	34,600	34,600
	o	Publications & subscriptions	20,000	27,000
	p	Court expenses	13,200	8,200
	q	Other accounts of the authority	191,100	191,100
	r	Void rent loss provision	175,000	230,000
	s	Rent remissions	10,000	10,000
	t	Irrecoverables	160,000	100,000
	u	Replacement furniture	5,000	5,000
	v	Girobank Charges	3,000	3,000
	w	Purchase Refuse Containers	5,000	1,000
	x	Recruitment Advertising	5,000	5,000
	y	Telephone / Mobile costs	27,000	26,000
	z	Consultants	5,000	5,000
	aa	Misc Supplies And Services	2,800	2,800
	ab	CFFR General	0	250,00
			2,769,400	**3,334,600**
5	**Transfer Payments**			
	a	Superannuation additional allowances	20,900	20,900
	b	“One off” HRA Pre Disposal costs	5,000	5,000
	c	Assistance to Tenants Associations	30,800	15,800
	d	Specific debts written off	20,000	20,000
	e	Tenant Support Fund	0	50,000
	f	Bad debt provision	215,900	165,900
			292,600	**277,600**
6	**Support services**			
	a	Central administration – central support	914,600	960,600
			914,600	**960,600**
7	**Depreciation & impairment costs**			
	a	Principal	3,567,000	3,490,000

	b	Interest	2,033,000	2,104,000
	c	Expenses	71,000	71,000
			5,671,000	**5,665,000**
GROSS EXPENDITURE			**17,067,400**	**17,782,400**
8	**Income – sales, fees & charges**			
	a	Repairs recharged to tenants	-7,500	-7,500
	b	Repairs recharged to owner occupier	-55,000	-55,000
	c	Sheltered housing charges - wardens	-75,000	-76,700
9	**Income – rental income**			
	a	Rents – houses (Including Homeless persons)	-15,000,000	-16,212,000
	b	Service charges	-212,300	-217,200
	c	Rents – lock ups	-23,300	-24,400
	d	Rents – garage sites	-6,400	-6,700
	e	Rents - shops	-215,000	-215,000
10	**Income – Other**			
	a	Non HRA income	-35,000	-5,000
	b	Housing capital	-250,000	-300,000
	c	Recharge to other accounts of the authority	-302,200	-302,200
	d	Recharge to capital	-86,800	-86,800
	e	Recharge to other Housing	-6,600	-6,600
	f	Interest on Revenue deposits	-17,300	-17,300
	g	Contribution from reserves	-775,000	-250,000
TOTAL INCOME			**17,067,400**	**17,782,400**
NET EXPENDITURE (INCOME)			**-**	**-**

AGENDA ITEM No. 12

EAST RENFREWSHIRE COUNCIL

26 February 2025

Report by Director of Environment

HOUSING CAPITAL PROGRAMME 2025/26 TO 2034/35

PURPOSE OF REPORT

1. To seek approval from the Council for the Housing Capital Programme for 2025/26 and to present for consideration the proposed ten-year programme.

RECOMMENDATION

2. The Council is invited to approve the Housing Capital Programme for 2025/26 to 2034/35 and authorise officers to progress the projects listed in Appendix A for 2025/26.

BACKGROUND

3. This report outlines details of anticipated capital expenditure requirements for Housing Services for the next ten years. The Housing Capital Programme provides details of different work streams required, to ensure that our housing assets are and, in the future, remain fit for purpose and comply with required statutory requirements. These include the statutory housing quality standards, net zero considerations, customer needs and affordability within the HRA Business Plan.

4. In recent years the Housing Capital Programme has focused on the need to meet the Scottish Housing Quality Standard (SHQS) and Energy Efficiency Standard for Social Housing (EESSH). The first milestone of the EESSH was met in December 2020 and has to be maintained. In June 2019, the Government introduced new targets through EESSH2; with two key milestones to be achieved by 2025 and 2032. However in 2023, the Scottish Government decided to review the EESSH, with a view to strengthen and realign the standard with the net-zero carbon emission target.

5. A consultation to seek views on the new standard that will be introduced – Social Housing Net Zero Standard (SHNZS), closed in March 2024. The outcome of the consultation is expected to be published later in 2025. Whilst the direction of travel is towards increased energy efficiency and a move to low or zero carbon heating systems, the exact requirements are currently unclear and unlikely to be clarified until later in 2025. Technology related to such requirements is also evolving at pace which represents a further challenge. Therefore, it is difficult to accurately evidence the impact on our investment requirements as regards our existing stock at this point in time. We can however say that it is likely to increase the cost of that stock attaining and sustaining the statutory requirements.

6. In order to meet the known and unknown challenges, a review of the housing capital strategy is underway. This includes building on the good existing stock knowledge to determine the most effective way to meet future net zero standards but also the aspirations of tenants and local communities through our ‘Place to Grow’ vision.

7. The Housing Capital Programme will support “A Place to Grow” over the next 15 years to ensure Council housing is a place where tenants can flourish and grow. The Housing Capital Programme contributes to all of the three pillars:

- Our children and young people will flourish;
- Our communities and places thrive; and
- We all live well.

8. Given the current uncertainties and challenges, the Housing Capital Programme this year – 2025/26 is focused on investment on properties that are at risk of not being wind and/or watertight. Focus will also be on continued requirement to meet the Scottish Housing Quality Standard (SHQS). We will also need to survey our housing stock and use the information from this to inform future investment plan.

9. Members are asked to note that there may be slippage in 2024/25 resulting in a further carry forward of resources. The amount will be dependent on the progress made on contracts before the end of financial year. The will be reported as part of the June 2025 Housing Capital Programme Update report.

REPORT

10. The remainder of this report sets out the Housing Capital Programme for 2025/26, as well as the key areas that the Housing Capital Programme will focus on across the next ten years. The appendix to this report provides detail of the spending priorities and values contained within the Capital Programme from 2025/26 to 2034/35.

11. Each year, when compiling the Housing Capital Programme, it is necessary to achieve the difficult balance between the aspirations of tenants for improvements to their homes and the affordability of any investment. A key factor for the Council to consider is the age of its stock. Almost one third of the stock is more than 75 years old, with a further third aged between 50 and 75 years. This creates a substantial need for investment, especially in relation to achieving both the SHQS, energy efficiency standard requirements and renewing roof and wall render.

12. There has been a notable increase in the cost of delivering most projects. This is evident in the roof and wall render projects where costs increases have been significant. There are also other pressures placed upon the current HRA Capital Programme. These include:

- requirement to maintain legislative standards across our housing stock;
- the need to upgrade heating systems and telecare warden call systems in the sheltered housing complexes;
- ongoing planned investment required to improve internal elements and external elements in tenants' homes;
- heating upgrade works and other energy efficiency works requirements under EESSH the new proposed SHNZS, as noted above; and
- the increasing costs to deliver new council housing.

13. Key areas that the Housing Capital Programme will focus on for the next ten years are:

- investment of £15.59 million from 2025/26 to 2028/29 towards the delivery of 66 new council houses. This was detailed in the Strategic Housing Investment Plan (SHIP) 2025-30 which was agreed by Cabinet on 24 October 2024. The delivery of these homes is supported by an anticipated £9.07 million of Scottish Government funding.
- a budget of £50k to fund house purchase opportunities which may arise through the Scottish Government mortgage- to- rent scheme;
- investment of £10.92 million in central heating. The proposed budget will enable us to improve energy efficiency of our housing stock and also support working towards meeting future standards requirements. About a quarter of housing stock has heating systems aged 15 years or more, with a substantial number of other systems reaching 'end of life' and becoming inefficient. However, with the requirements of the new SHNZS unknown; next year's heating programme will only be for replacement of boilers and heating systems that break down or with obsolete parts. This decision

will be in place until we have clear guidance and direction from the Scottish Government on future standards;

- investment of £6.59 million on electrical re-wiring, replacement of fire alarms/detectors and Electrical Installation Condition Report (EICR) testing. The Scottish Housing Regulator changed the requirement for EICR periodical testing from 10 years to 5 years in 2020. As of December 2024, approximately 89% of housing stock is compliant. This means that safety checks are required to be undertaken in the remaining 11%. Safety checks will continue on an ongoing cyclical programme to ensure homes are within the five-year target. Significant investment in recent years has limited the cyclical work required in 2025/26;
- investment of £24.02 million in external structural projects. For 2025/26 the budget is primarily targeted at continuing programmes of Roof and Render Renewal and prioritising buildings with roofs well beyond their 60-year lifespan for 2025/26. Once the new SHNZS is known future years will also fund:
    - Wall Insulation (WI) projects – to work towards meeting energy efficiency requirements. With the Scottish Government consultation focusing on Fabric Energy Efficiency and also compliance to the new EWI standard and specification (PAS 2023:19 and PAS 2023:35); costs to meet these standards will be very high and could potentially be unaffordable. It is therefore important to note that additional resources will be needed to bring the majority of housing stock up to current and future proposed standards;
    - private owners in mixed tenure blocks where works are being carried out. This will be supported by the Energy Efficiency Scotland: Area Based Scheme (EES: ABS) grant and will allows EWI in mixed tenure properties to be undertaken;
- investment of £11.96 million in installing new internal elements, such as kitchens, bathrooms, fans, windows and doors, and improving water management in homes;
- investment of £1.78 million in communal doors and door entry systems. A secure communal door entry system for flatted accommodation is a key element of the Scottish Housing Quality Standard (SHQS). Some of the existing doors systems are reaching the end of their lifecycle, additional investment is required to upgrade them;
- investment of £0.9 million in sheltered housing – investment is required to upgrade heating system and other demanding health and safety standards for fire and water. It is worth noting that heating systems in two of the sheltered complexes have reached ‘end of life’ and costs to upgrade these are very expensive due to inflationary increases in construction materials and labour. Again, this poses the challenge of trying to balance affordability and commitment to our tenants. It also highlights why this form of accommodation is expensive to operate;
- investment of £1.76 million in estate works. These have not been part of the planned Capital Programme previously but have been carried out on an ad hoc basis. These now require investment as they have significant impact on our housing neighbourhoods and their sustainability;
- investment of £2.37 million in energy efficiency related work. This includes payment for consultancy services required to survey and assess our housing stock; in preparation for delivery of the new standard, when this is confirmed; amd
- investment of £0.35 million to upgrade Housing IT systems. The new systems will allow Housing Services to reduce paper processes and deliver a more efficient and customer-focused repairs service.

14. The Capital Programme for existing stock is mainly financed through borrowing and recharges to owner occupiers. Recharges to owner occupiers have been estimated to allow the Council’s borrowing requirements to be calculated. If these recharges are lower than estimated the overall expenditure will be reduced to maintain borrowing at the approved level. Conversely, if recharges to owners are greater than estimated, then the overall expenditure may be increased assuming no change to borrowing requirements.

15. The Council continue to extend the supply of social housing through a Council New Build programme established in 2018. To date 293 homes have been built and 14 properties have been purchased in the open market. This includes 105 units delivered in 2024/25. The 10-year

Capital Programme includes the proposals for another 66 units that will be delivered over the next 4 years, with a target completion date of 2028/29.

16. The new build programme has made use of commuted sums received from private developers and council tax from second homes to assist the programme. This income has been set at £10k per unit as a baseline contribution for each future council housing site. However, an element of flexibility is in place to increase this funding to support significant infrastructure costs and excessive abnormal costs, if required.

17. Members will be aware that the supply of social housing is limited in East Renfrewshire with the smallest percentage of social housing across Scotland. In addition, with a significant increase in demand, East Renfrewshire declared a local housing emergency in September 2024. Whilst it is not possible to build enough houses to meet the existing demand, a key priority is to deliver more social housing where possible. However this priority is dependent on 3 areas:

- financial capacity of social landlords – in the development of Capital Programmes, the Council (and all other social landlords) have a legal duty to ensure existing homes meet all current and future statutory standards. As noted in paragraph 5, the introduction of the Social Housing Net Zero Standard (SHNZS) is expected to place significant investment pressures in the coming years;
- Affordable Housing Supply Programme (AHSP) – as noted in Strategic Housing Investment Plan (SHIP) 2025-30, which was agreed by Cabinet on 24 October 2024, the 2024/25 national budget was reduced by 24% and a similar reduction was expected for 2025/26. This limited the number of programmes that could be progressed in East Renfrewshire. However members will note that for 2025/26 the national AHSP funding has been returned to previous levels. East Renfrewshire Council will be notified of any additional funding in the spring of 2025. Following discussions with local housing association partners, a further report will be submitted to Council to amend the Capital Programme if necessary; and
- Future Programmes – a further limitation of the existing programme is local land supply. The 10 year programme allocates £887k of expenditure to fund site investigations and land acquisitions to support future programmes. This funding will also be used to support any one off acquisition funding from Scottish Government.

18. The 30-year Housing Business Plan is updated annually. The most recent financial appraisal confirmed that Housing Services are in a position to support the current level of annual expenditure required to continue to meet the Capital Programme detailed in this report. This is based upon a number of assumptions in relation to rent increases and the disposal of specific land assets. These assumptions will continue to be monitored on an annual basis.

19. It is essential that the Council ensures that capital expenditure achieves value for money, is appropriately targeted and customer-focused. In conjunction with colleagues in Procurement and Property & Technical Services, a robust approach is taken in relation to the procurement and management of external contractors, in order to achieve these aims. Regular meetings are held with contractors to ensure that quality is maintained and that any problems are addressed as soon as they occur.

FINANCE AND EFFICIENCY

20. Prudent management and adoption of the recommended rent increase of 4.9% for the next year will ensure the proposed expenditure for 2025/26 and future years is affordable.

21. The expenditure levels for years 2026/27 and onwards are provisional and will be reviewed in line with the Housing Asset Management Plan review. The Housing Asset Management Plan presented to Cabinet in November 2024, will be reviewed within the next 18 months to reflect investment needs.

CONSULTATION

22. The majority of the content of the Housing Capital Programme is determined by the need to continue to meet the SHQS and the plan for achieving the proposed energy efficiency standards expected as part of the Social Housing Net Zero Standard (SHNZS). The majority of these works have also been determined following consultations with tenants and their feedback, which is centred on improving the homes they live in. As such, our capital investment over the next years will be to ensure that our homes are wind and water tight; meet statutory standards and are good quality homes with safe and secure environment for our tenants.

23. Housing Services will continue to engage with tenants and also monitor satisfaction with Capital Programme projects. When required or where appropriate (e.g. where satisfaction levels show some areas of concern), focus groups to consider improvements to the delivery programme will be held.

PARTNERSHIP WORKING

24. In order to ensure the Housing Capital Programme is efficient and delivers value for money, close working and regular dialogue takes place with other social landlords, including Barrhead Housing Association, who are the largest Registered Social Landlord operating in East Renfrewshire. The service also participates in professional networks ALLACHO, to provide guidance and support on developments within the sector.

IMPLICATIONS OF THE PROPOSALS

25. This report does not have any implications in terms of staffing, legal or equalities.

26. The proposed projects will impact on energy efficiency of homes and other elements of the SHQS to make sure that more tenants live in warmer, safer and drier homes.

CONCLUSIONS

27. The level of investment contained within the Programme is essential to allow the Council to continue to meet the SHQS, to meet the future requirements of energy efficiency and net zero standards, and to provide homes that meet the needs and aspirations of our tenants and prospective tenants. The continued investment is affordable and will be welcomed by council tenants, who will see the quality of their homes continue to be improved.

RECOMMENDATION

28. The Council is invited to approve the Housing Capital Programme for 2025/26 to 2034/35 and authorise officers to progress the projects listed in Appendix A for 2025/26.

Director of Environment
Further details can be obtained from Mark Rodgers, Head of Housing & Property on mark.rodgers@eastrenfrewshire.gov.uk

February 2025

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APPENDIX A: HRA 10 Year Capital Programme

HRA Capital Programme - Existing Stock	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)	Total
Central Heating Systems	250	1,128	858	1,080	1,283	1,343	1,050	1,218	1,689	1,019	**10,918**
Re-wiring and Other Electricals (including smoke detectors)	287	583	632	999	550	567	858	831	660	623	**6,590**
External Structural Works (Roof & Render, Damp Proof Courses, Structural Failures)	2,850	2,550	2,550	2,700	2,700	2,700	1,360	1,360	2,700	2,545	**24,015**
Estate Works (Paths, Walls, Lighting, Bin Stores, Drying Areas etc	500	250	250	100	100	100	100	100	100	160	**1,760**
Energy Efficiency Standard for Social Housing (EESSH)	200	200	200	200	225	225	300	300	300	220	**2,370**
Aids and Adaptations	350	350	350	350	350	350	350	350	350	350	**3,500**
Internal Element Renewals	1,863	1,615	1,475	1,343	385	531	981	878	2,072	820	**11,963**
Door Entry Systems	450	450	300	300	5	10	22	9	56	175	**1,777**
Sheltered Housing	-	-	450	450	-	-	-	-			**900**
IT Systems	200	150		-	-	-	-	-	-		**350**
Retentions	10	-	-	-	-	-	-	-	-		**10**
Sub-Total - HRA Capital Programme for Existing Stock	**6,960**	**7,276**	**7,065**	**7,522**	**5,598**	**5,826**	**5,021**	**5,046**	**7,927**	**5,912**	**64,153**
HRA Capital Programme for New Stock											
Compulsory Purchase Orders/Mortgage to Rent	50										50
Barrhead Road Newton Mearns (Estimate 17 units)		4,000	700	100							4,800
Commercial Road, Barrhead (Estimate 49 units)		6,000	3,700	200							9,900
Site & Property Purchase and Site Investigation	312	575									887
Sub-Total - HRA Capital Programme for New Stock	**362**	**10,575**	**4,400**	**300**							**15,637**
Total Expenditure	**7,322**	**17,851**	**11,465**	**7,822**	**5,598**	**5,826**	**5,021**	**5,046**	**7,927**	**5,912**	**79,790**

Resources:-	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)	Total
Borrowing	122	7,224	9,065	5,607	3,448	3,636	2,971	3,066	5,872	4,052	45,063
Capital Receipts	6,500	1,700									8,200
Capital From Current Revenue	250		2,275	2,090	2,050	2,090	1,950	1,880	1,955	1,760	16,300
Owner Income	125	125	125	125	100	100	100	100	100	100	1,100
Scottish Government Grant											
Grant - Rental Off the Shelf	50										50
Grant - New Build		6,746									6,746
Commuted Sums	275	2,056									2,331
Total Resources	**7,322**	**17,851**	**11,465**	**7,822**	**5,598**	**5,826**	**5,021**	**5,046**	**7,927**	**5,912**	**79,790**

AGENDA ITEM No. 13

EAST RENFREWSHIRE COUNCIL

26 February 2025

Report by Director of Education

EAST RENFREWSHIRE CULTURE AND LEISURE TRUST 2024/25 BUSINESS PLAN

PURPOSE OF THE REPORT

1. The purpose of this report is to seek Council approval for the East Renfrewshire Culture and Leisure Trust (ERCL) 2025/26 Business Plan.

RECOMMENDATION

2. That the Council approves the proposed Business Plan for 2025/26 following confirmation of the budget by the Council on 26 February 2025.

BACKGROUND

3. East Renfrewshire Culture and Leisure Trust was established as an independent charity, registered with the Office of the Scottish Charity Regulator (OSCR) on 1 July 2015. The Charitable objectives of the Trust are laid out in the *Articles of Association*:

The Company will promote, advance and further Charitable Purposes and activities through the provision of services which enhance and contribute to the health, fitness, personal development and wellbeing of the residents of East Renfrewshire (and beyond) including, but not limited to, educational, sporting, culture and heritage based and community activities.

4. A business planning process was outlined in the Services Agreement between the Trust and the Council that vested the Trust with the assets to deliver culture and leisure services on behalf of the Council. This agreement determined that:

- An annual business plan is to be presented to the Council;
- The plan is to identify the projected resources and/or expenditure of the Trust during each Financial Year in performing the Services and complying with its contractual obligations to East Renfrewshire Council;
- In relation to the facilities occupied by the Company under licence from the Council, the plan identifies any provision required by the Council under its capital programme, or through Council revenue budgets to meet planned or remedial maintenance requirements in any of these facilities; and,
- The plan details a list of any new items of equipment that are required to deliver the contracted services in the forthcoming financial year, together with a budgeted cost for the same to be procured by the Council and/or remain the property of the Council, in accordance with charity law.

5. The Business Plan for 2025/26 (Appendix 1) is presented to Council for approval, subject to budget confirmation.

REPORT

6. The Business Plan identifies:

- The projected resources and/or expenditure of the Trust during each Financial Year in providing the Services and complying with its contractual obligations to East Renfrewshire Council (ERC);
- The Trust's current delivery structure which includes Operations, Sports and Physical Activity, Libraries and Information Services and Communities and Arts;
- A list of strengths, weaknesses, opportunities and threats which the Trust has identified as impacting on its ability to support the council in delivering Best Value; and,
- The Trust's proposal for the next Annual Service Payment.

7. Earlier business plans focused on the transition from council departments to a social enterprise model. Whilst change programmes and organisational development work will continue to modernise the services, the focus is now on sustainability. The growth of commercial activities, and the associated profit margins, allied to the continued close cost control will further build upon the Trust's successes.

8. The vision, mission and values were considered and developed to draw on the best of the organisation's track record, skills and experiences whilst setting out a blueprint for a flourishing and entrepreneurial model for the delivery of culture, sports and leisure opportunities in East Renfrewshire.

9. The following strategic aims have been identified:

- Create a financially sustainable business model;
- Develop an understanding of customers and audiences and an offer that attracts them;
- Develop a strong, diverse, resilient and committed workforce;
- Establishing East Renfrewshire Culture and Leisure's role at the heart of Vibrant Communities; and,
- Developing resilient, dynamic and productive partnerships that are developed and nurtured.

10. These themes all support the Trust's charitable objectives and its plans for ongoing organisational development and service improvement, and reflect a shared ambition to grow culture and leisure services in East Renfrewshire, in terms of quality, range and scope. It aligns with the long term ambitions outlined through A Place to Grow and the Trust will take a key role in contributing to the three strategic pillars of A Place to Grow.

FINANCE AND EFFICIENCY

11. The Council budget for 2025/26 will be agreed at the Council meeting on 26 February 2025; as such the Trust Business Plan and associated proposed budget are offered for approval subject to the final agreement with the Council.

12. The Trust reported an operating surplus of £572k (loss of £66k excluding pension service costs) for the year ended 31 March 2024. The final financial position was in line with expectations and allowed for a prudent level of reserves to be retained. The latest forecast for 2024/25 indicates a small surplus.

13. In last year's plan there was a focus on the development and improvement of swimming, gyms, fitness and theatre. Pricing and product development focused on maintaining competitive pricing and introduced new products to attract younger members in gyms and fitness. Projects to increase digitisation and automation within the customer journey were implemented in Community Sport. The relationship between staff and customers was a key success in last year's plan with Net Promotor Scores noting the quality of the staff interactions.

14 Key areas of work which will be undertaken in during 2025-26 includes:

- Continuing to improve the customer journey and digital capability through improvements such as integration between library and box office systems;
- Mitigating increased competition through initiatives such as innovative use of space and staff training and development;
- Tackling inequality through service design to widen access to those with protected characteristics;
- Implementation of key strategies which have been developed including Sport and Physical Activity, Library and Arts and Heritage Strategies, and;
- Increased focus on People Strategy with further work on ERCL Mission, Vision, Value and Identity.

15. The Trust works closely with Council colleagues around capital planning, and plans are aligned to the Council's Capital Investment Strategy. ERCL is represented on the Council's Corporate Asset Management Group, where proposals for investment in assets (fixed and moveable) are considered. These include plans for the future of Eastwood Park Leisure Centre, which is scheduled for completion in 2027.

16. The Trust worked to meet its charitable aims and objectives and 2023-24 saw the Trust continue to build on the growth of the prior year with sustained increases in all key services. The latest forecast for 2024-25 has a higher than expected surplus with a deficit of £691k projected in 2025-26 due to the continued backdrop of rising costs related to inflation and pay awards. Income of £11.804 million is forecast against expenditure of £12.496 million.

17. The Business Plan and Budget will be aligned with the Service Payment to be agreed between the Trust and Council.

CONSULTATION

18. The plan has been developed through consultation with staff, the ERCL Board and stakeholders, including governing bodies, and national associations. It also responds to extensive feedback from both customers and non-users of the services.

PARTNERSHIP WORKING

19. Partnership working to deliver the objectives of the plan is a key strategic aim as outlined in Section Four of the Business plan.

IMPLICATIONS OF THE PROPOSALS

20. The approval of the Business Plan and the Budget, when confirmed, together with the Management Fee will allow the Trust to establish a stable and sustainable operating model. The ultimate aim is to strategically plan how ERCL will deliver a quality and exciting portfolio of culture and leisure programme whilst building its resilience, sustainability and brand.

21. The Business Plan provides detail of the ongoing work that will continue to further improve the customer journey through building on the new digital platforms, aligning all platforms and continuing to improve customer digital experience. There will be a renewed focus on the People Strategy with further work linked to ERCL's Mission, Vision, Value and Identify planned. A continued focus on operational planning will ensure that scheduling, dependencies and support for all activities are delivered in an efficient manner.

CONCLUSION

22. East Renfrewshire Culture and Leisure Trust Business Plan gives clear strategic direction that is in accordance with the Council's strategies.

23. The Plan is supported by detailed operational plans which deliver the Community Planning 3 key pillars under A Place to Grow. The Plan will support tackling inequalities within our communities and will guide the work of the Trust and its staff to deliver high quality services for the residents of East Renfrewshire.

24. An Equality, Fairness and Rights Impact Assessment has been undertaken to support the development of this Business Plan.

RECOMMENDATION

25. It is recommended that the Council approves the proposed Business Plan for 2025/26, subject to budget to be confirmed at a full Council meeting on 26 February 2025.

Report Author(s)

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Appendix 1
East Renfrewshire Culture and Leisure Trust Business Plan 2025/26

East Renfrewshire Culture and Leisure

2025-26 Business Plan

1. Executive Summary

East Renfrewshire Culture and Leisure (ERCL) are committed to the preparation of an annual Business Plan, created through a business planning process outlined in the Services Agreement at ERCL's establishment in July 2015.

This Business Plan identifies:

- the projected resources and/or expenditure of ERCL during each Financial Year in performing the Services and complying with its' contractual obligations to East Renfrewshire Council (ERC);
- ERCL's proposal for the next Annual Service Payment

Through consultation with staff, board and stakeholders, our business plan was developed to strategically plan how East Renfrewshire Culture and Leisure would deliver quality services, whilst building its resilience and sustainability, through developing strong internal competences and strong relationships in teams and between teams. The vision, mission and values were considered and developed to draw on the best of the organisation's track record, skills and experiences whilst setting out a blueprint for a flourishing and entrepreneurial model for the delivery of culture, sports and leisure opportunities in East Renfrewshire. Strategic aims are set out in Section 4.0 below.

These aims support our charitable objectives and our plans for ongoing organisational development and reflect our ambition to improve and develop our services. They reflect our commitment to ongoing service improvement, several of which are outlined in this plan. In addition, they support our principal partner East Renfrewshire Council (ERC), in meeting its commitments as outlined in its Community Plans, and Local Outcome Improvement Plan (LOIP) Fairer East Ren.

There are several related but separate measures of success for ERCL, but ultimately success will be measured against our charitable purposes, and the impact we make on our communities; the outcomes we deliver for our partners; and the effect this has on the charity itself. We will consider the questions all charities should ask of themselves, namely:

- Who are our users, and how many do we have?
- What is their experience of our services?
- How effective are we in achieving our charitable objectives?
- Are we doing the right things, are we delivering the right services?
- Can we deliver services better by working in partnership, or are we duplicating services?

Since our launch much has been done to improve management information. This will continue to constitute a key focus in our work over the coming year.

Earlier business plans focused on the transition from council departments to a social enterprise model, whereby commercial activities generate profits to subsidise charitable activities. Whilst change programmes and organisational development work will continue to modernise the services, our focus is now on our sustainability. The growth of our commercial activities, and the associated profit margins, allied to the continued close cost control will further build upon our successes.

1.1 This Year's Plan

Last year's plan outlined the continued development of, and improvement plans for, swimming lessons, gyms and fitness and the theatre. Pricing and product development focused on maintaining competitive pricing and introduced new products to attract younger members in gyms and fitness, the result of which – particularly in gyms and fitness membership - have been striking. The continued impact of the new gym at Barrhead Foundry, The Grid, has contributed significantly to the overall performance of gyms and fitness.

Notable sustained growth in gyms, fitness, swimming, Vitality and Live Active, and theatre has underpinned financial results, and a continued growth in library figures (physical and online) is pleasing. Our success this year in sustaining growth or maintaining numbers will reflect increasing capacity issues, at least until the new Eastwood and/or Neilston centres become available. Projects to increase digitisation and automation within the customer journey were implemented in Community Sport and further work will be undertaken this year to build upon that in the hope of optimising class occupancy levels.

Similarly, we have been reviewing our ancillary income in general and catering and hospitality performance and provision in particular and will be implementing changes with some new products. Financial returns may be initially modest, and budget provision is prudent, but the vision is to improve the overall offer; enhance the operation of sports pitches following their integration into the Trust; and position the Trust for the opening of the new Eastwood Centre

The relationship between staff and customers has been critical too, with NPS scores noting the quality of the staff interactions, increased quality engagement and the dynamic refreshing of the fitness offer in particular.

However, challenges remain. Staffing issues (recruitment, retention and sickness and absence) have all been adversely affected by the pandemic across the leisure sector, and East Renfrewshire is no different, though the teams have worked admirably to minimise the operational impacts. Recent pay awards and changes to National Insurance exert further pressure and, in most cases, outstrip the ability of Trusts to increase income to mitigate cost rises.

Whilst we have successfully managed disruption to supply chains with regards to our day-today operations in recent years, it has had an impact on capital works, and inflation is severely impacting on budgets, including goods, services, and utilities and staffing; and constraining, amongst other things, planned, routine and remedial maintenance.

The standard and conditions of our buildings directly impact our ability to develop, grow and generate new income streams but we are working hard to make the best use of the facilities we have, to improve our product range and quality. Planned works will be undertaken this year to Barrhead Foundry and we will endeavor to minimise consequent disruption.

More generally the landscape is challenging across the sector in Scotland. The recent EKOS report commissioned by sector partners noted that, depending on the data used, local government investment in these services has reduced by at least 20% in real terms between 2010/11 and 2022/23. Over the same period, analysis suggests that net revenue expenditure on culture has fallen by as much as 33% in real terms with sport and leisure reducing by around 25% again in real terms. 85% of Councils and 50% of Trusts reported making savings to culture and leisure post pandemic, and 25% noted they had stopped some sport and culture services altogether. [1]

[1] *Review of Culture and Leisure Services in Scotland: Report for Community Leisure UK, Creative Scotland and sport Scotland Final Report*, August 2024

2. Introduction

The purpose of this business plan is to strategically plan how ERCL will deliver a quality and exciting portfolio of culture and leisure programmes whilst building its resilience, sustainability and brand.

These programmes are in sports, leisure, social and community activities; libraries, information services and learning; performing arts, visual arts and heritage.

The key purpose of the plan is to: -

A) Develop ERCL's vision and mission to ensure it is representative of our future goals and aspirations and those of our key partners
B) Develop the business model to enable the Trust to become resilient and sustainable
C) Review the resources required to deliver the business
D) Establish the sustainability of ERCL by developing a robust financial plan and sound management
E) Identify the strategic aims and objectives which will support delivery of the plan.
F) Develop staffing, management and governance structures to deliver our objectives
G) Contribute to ERC's goals and community planning objectives

3. The Vision for East Renfrewshire Culture and Leisure

3.1 Purpose (i.e. Charitable Objectives)

The Charitable objectives of ERCL are laid out in the *Articles of Association*:

The Company will promote, advance and further Charitable Purposes and activities through the provision of services which enhance and contribute to the health, fitness, personal development and wellbeing of the residents of East Renfrewshire (and beyond) including, but not limited to, educational, sporting, culture and heritage based and community activities.

In promoting, advancing and furthering Charitable Purposes and activities the Company seeks to:

- *encourage the population of the East Renfrewshire area to be more active in promoting and supporting the development of sporting and health and fitness opportunities that are accessible for everyone;*
- *support people to be more creative and nurture potential for personal success and wellbeing through the provision of cultural facilities and resources;*
- *help individuals and community groups to benefit from social engagement, community interaction and volunteering; and*
- *promote and make available lifelong learning opportunities, including the promotion of literacy, reading for pleasure, and digital inclusion and stemming from these opportunities make a social and economic contribution to society.*

For the purposes of the Charities Act the following Charitable Purposes are relevant and have been identified as applicable from section 7 of the Charities Act: -

- the advancement of education;
- the advancement of the arts, heritage and culture;
- the advancement of public participation in sport; and
- the provision of recreational facilities, or the organisation of recreational activities, with the object of improving the condition of life for the people for whom the facilities or activities are primarily intended.

3.2 Vision

"Our vision is to help and inspire people to be actively involved in sport, arts and culture."

3.3 Mission

Our mission is to be the highest-performing Leisure Trust in Scotland.

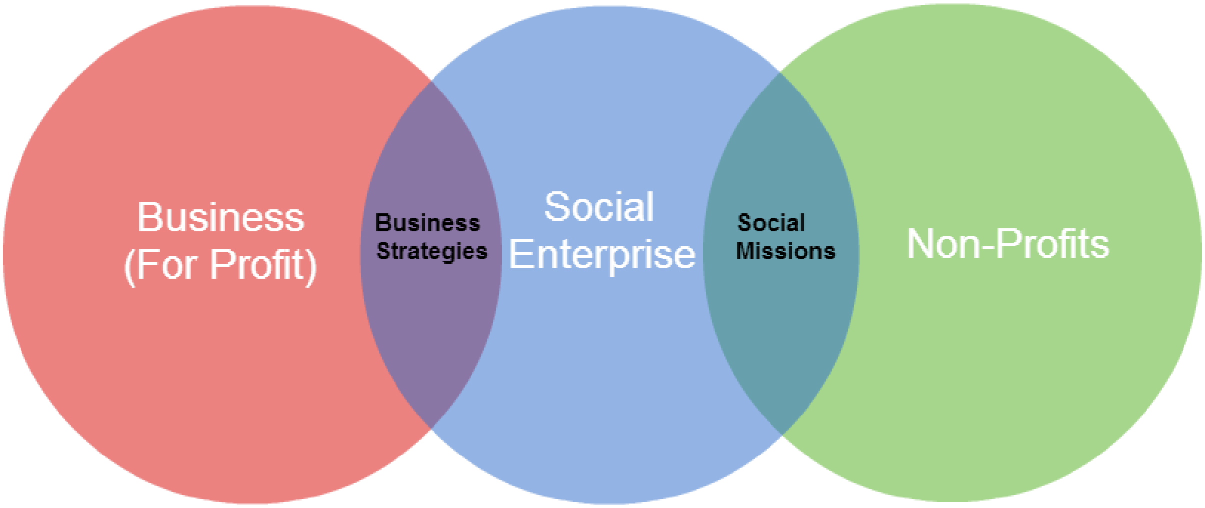
We take this to mean that we will not only be more efficient and achieve more from our resources, but that we will grow with a view to becoming self-sufficient.

3.4 Values

4. Strategic Context

The Social Enterprise Model

ERCL is a social enterprise. A charitable trust - a non-profit distributing independent charity governed by a board of voluntary trustees drawn from the local community with specific expertise across a range of areas – is supported by grant funding and commercial income. This commercial income is generated through a range of activities.



Charitable trusts, such as ERCL, occupy the middle ground between commercial businesses and charities. Profits generated by commercial activities such as gyms and events fund a widening range of programmes. Many of these are in partnership with national and local organisations, other charities and sports clubs, and deliver significant social and community benefit, but are not financially viable in themselves.

These include sport, leisure and cultural activities, many for specific groups such as those who are otherwise excluded for reasons as diverse as disability, long-term illness, mental health problems, drug and alcohol dependencies, deprivation, social isolation or access.

This is also reflected in our work to use commercial strategies to maximise improvements in personal and community health, and wellbeing:

CUSTOMER	COMMERCIALISM	COMMUNITY
Avoidable Contact	Flexible Charging	Capacity Building
Channel Shift	Commercialise Services	Community Ownership
Customer Journeys	Strategic Procurement	Delegate Functions
Transactional Cost Transfer	Asset Usage	Maximise Access
Efficiencies	Fundraising	Voluntary Organisations
Rationalisation	Planned Developments	Volunteering & Leadership

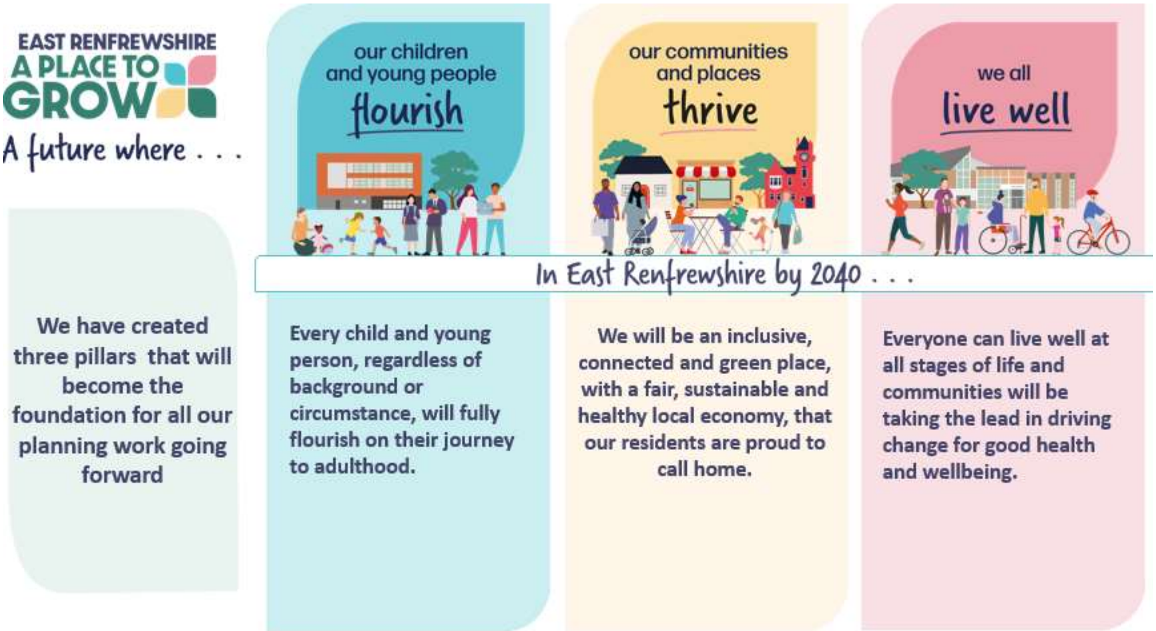
The business plan aims to ensure that ERCL meets the requirements of our service agreement with ERC and can maintain the financial stability of the company and its charitable objectives. Our non-profit distributing status means that any surpluses generated are available for reinvestment in local facilities and services.

4.1 East Renfrewshire Community Plans

East Renfrewshire Community Planning Partnership (CPP) works for and with communities to ensure everyone has the best possible quality of life. ERCL is actively involved in the Community Planning Partnership and contributes to the delivery of outcomes together with partners.

4.2 A Place to Grow, 2040

ERCL has been a key contributor to the development of the Council's new Community Plan and vision for East Renfrewshire**, A Place to Grow.**



The role of our work in supporting **young people** and their development through sports, physical activity, arts, culture and literacy and holiday hunger activities; **supporting communities** through the operation of vibrant public facilities, through our community development work with partners, or by creating a sense of place with heritage, history or other public programmes, and as an employer and training organisation; and driving **health and wellbeing** through our services and interventions in partnership with the NHS, HSCP or third sector partners such as MacMillan Cancer Support will all contribute to the three strategic outcomes of *A Place to Grow*.

4.3 ERCL Strategic Aims

Reflecting our vision and objectives we have identified activity priorities which go beyond the life of this Business Plan. We feel it is important from the outset to look forward and to articulate how we intend the organisation to develop within its governance framework, operating environment and partnerships.

Our strategic aims are:

Create a financially sustainable business model, balancing strong ambitions with commercial viability

Develop an understanding of our customers and audiences and an offer that attracts them, working in partnership with organisations across the region to remove barriers to participation

Develop a strong, diverse, resilient and committed workforce, building on our commitment to growing people and ideas

Establishing East Renfrewshire Culture and Leisure's role at the heart of Vibrant Communities through the services we deliver, the opportunities we provide and the support we offer.

Developing resilient, dynamic and productive partnerships that are developed and nurtured to grow our business and maximise the impact we have in our communities.

4.4 Business Plan Contextual Analysis

4.4.1 SWOT Analysis

STRENGTHS	WEAKNESSES
Geographical Coverage: Halls, venues, libraries, and theatres are well-distributed for community access. **Continuous Improvement**: Ongoing enhancements in services, business support, and management. **Positive Impact Recognition**: Increased appreciation for sports, leisure, and cultural activities post-lockdown. **Local Service Exploration**: Rise in home working leading to more local service usage. **Loyal Customer Base**: Strong word-of-mouth and positive survey feedback. **Variety of Services**: Wide range of services and classes available. **Well-Trained Staff**: Front-line staff supported by innovative and creative development officers. **Business Development**: Improvement programmes for key business areas. **Volunteers**: High-calibre volunteers passionate about the area.	**Lean Resourcing**: Limited ability to support commercial, improvement, or community development. **Estate Condition**: Worsening condition of the estate with limitations on improvements. **Staffing Model Misalignment**: Current staffing model, contracts, and operating hours do not meet customer demands, affecting recruitment and retention. **Cost-Base Constraints:** High staff costs relative to turnover and limited discretionary budgets. **Market Responsiveness**: Inability to quickly adapt to evolving markets. **Car Parking**: Insufficient parking availability at key sites. **Digital Enablement**: Work still needs to be done on removing the friction in our digital access and booking platforms **Maintenance Budgets**: Inadequate property maintenance budgets. **Size and Range of Facilities**: Size and availability of space and access in key facilities (gyms, theatre, sports pitches) limits growth **Catering Provision**: Issues with catering service
OPPORTUNITIES	**THREATS**
Aligning Services with Government Objectives: Ensuring initiatives are in sync with local and national policies, and the vision of *A Place to Grow, 2040* **Increased Public Valuing of Culture and Leisure**: Leveraging post-pandemic appreciation for services. **Reviewing Business/Staffing Model**: Adapting to meet customer demands. **Enhanced Marketing and Promotion**: Boosting awareness and engagement. **Access to External Funding**: Supporting recovery, growth, and improvement. **New Developments**: Progress on Eastwood facility and Neilston developments. **Planning for Population Growth**: Adjusting services based on demographic trends. **Demand Analysis**: Identifying opportunities to increase capacity. **Customer Journey Investment**: Enhancing digital capabilities to improve customer experience. **Improving Theatre Performances**: Upgrading experience. **Facility Upgrades**: Targeted refurbishments to enhance user experience. **Health & Wellbeing Partnerships**: Collaborating with HSCP and Education Department. **Upgraded Swim Provision**: Expanding ASN opportunities. **Redesigning Business Model for Tutors**: Adapting to changing demand. **Catering Review and Development:** focus on selected un-catered sites / general quality improvements	**Income Risk**: 50% of income is earned and at risk, with expected reductions in council funding. **Economic Challenges**: Price and pay inflation impacting budgets. **Balancing Objectives**: Struggling to balance charitable and commercial goals. **Employment Issues**: Challenges with tutor/casual roles and employment status. **Staff Recruitment**: Difficulties in recruiting staff across several services. **Growing Competition**: Increased competition in key commercial areas. **High Costs**: Rising tender prices, utility costs, and sourcing difficulties. **Political Impact**: Effects of political decisions, legislation, or policy changes. **Unplanned Closures**: Need to rebuild customer engagement after closures. **Asset Transfer**: Risks associated with transferring assets. **Over-committed Funds**: Building Enhancement Fund over-committed. **Capital Funding Constraints**: Price increases and borrowing costs limiting capital funding. **Adaptability**: Challenges in adapting to customer demands and trends. **Site Vulnerability**: Condition and vulnerability of the Eastwood site. **Space Competition**: Increased competition and demand for space at venues.

4.4.2 PESTLE Analysis

Political	• Local, regional and national impact • Scheduled local elections • Scottish Government • UK wide issues • Global Pandemic consequences for public services and buildings
Economic	• Declining local-authority budgets further exacerbated by ring-fencing, meaning non-protected services such as cultural and leisure services bear brunt of budget pressures • Fiscal receipts in Scotland below the UK level and increased demand for all public services. • High inflation and increased pay awards to compensate for the increase in the cost of living. • Gig economy/temp/casual contracts
Social	• Population growth rate/age • Shifts in working patterns, and growth of homeworking • Attitudes to careers • Cultural barriers • Wellness
Technology	• Existing operating platforms – Gladstone (Leisure Management), Spektrix (Theatre), Spydus (Libraries) • New technologies and potential options • Introduction of access gates to venues • Increased reliance on agile-working capabilities
Legal	• Legislation likely to impact ERCL: Employment Law - tutors / employment status • Health and Safety • Industry Regulations • Future Legislation
Environmental	• Weather and climate impact on our buildings – air conditioning / heating / green • Refuse collection and recycling • Drive to reduce or eliminate single-use plastics • NET ZERO Target by 2045

4.5 Horizon Scanning

4.5.1 Capital Investment

We will continue to work with our Council colleagues around capital planning, and ERCL plans are aligned to the Council's Capital Investment Strategy. ERCL is represented on the Council's Corporate Asset Management Group, where proposals for investment in assets (fixed and moveable) are considered. These include plans for the future of Eastwood Park Leisure Centre, which is scheduled for completion in 2027, and the longer-term vision for Neilston. We will continue to work with the Council around the maintenance of our facilities to reduce disruption caused by upgrades, maintenance or unplanned closures which continue to pose significant challenges to ourselves and our customers

4.5.2 The Customer Journey and Digital Capability

Recent work on digital platforms such as the launch of the ERCL Leisure App and the relaunched website, which enables a smoother customer journey and an opportunity for improved customer communication, will be built on. Improved public Wi-Fi, automated gates and the development of out-of-hours customer support is all being progressed. Work is underway to introduce the ability to take card and online payments at libraries, and to further improve integration between the library system and the box office system with the ledger.

4.5.3 Increased Competition

Increased competition in the local sports and leisure market will continue to exert pressure on our income. Recent local developments in gyms and fitness will continue to pose a risk to income. We will seek to address this through tackling some of the maintenance and quality issues with venues; through continued improvements in customer care and quality assurance; and through ongoing business development work, improving our product through innovative use of space and staff training and development.

4.5.4 Funding

2023 saw the end of temporary Covid funding, which together with income from NHS Mass Vaccination Clinics, has compensated for lost commercial revenues. Mass Vaccination Clinics are no longer required, so the focus returns to commercial income and more traditional sources of funding. Strong trading performance has closed the budget gap, and reductions to Employer Pension Contributions will further help, but a draw on reserves is likely in the coming year, together with further options for mitigating an anticipated loss in 2025-26.

4.5.5 Tackling Inequality

ERCL team members are embedded within ERC’s Equality Officers Working group, feeding into the wider council strategic planning, contributing to and collaborating on projects such as the Equality Outcomes 2021-2025. Being part of the working group, we have been able to influence and inform the reporting structure, format and frequency of the outcomes whilst considering ERCL's work and its active contribution to achieving the outcomes. This sits alongside our commitment to continually review and challenge our own service design to widen access to those with protected characteristics (e.g. commitment to an increased opportunity for BSL performances at the theatre).

We will continue to work with Community Planning Partners on the development and implementation of East Renfrewshire's community plans. Tackling inequality and improving life chances for local people are at the heart of community planning partner's priorities and reflected in the Community Plan, the Local Outcome Improvement Plan Fairer East Ren, and several initiatives and programmes which ERCL will continue to deliver or develop. These include Corporate Parenting, and the For Your Entertainment programme, support for those affected by Universal Credit, support for Veterans in the form of the Health for Heroes programme, support for people with chronic conditions (Live Active – GP Referral, Vitality, MacMillan Cancer Support, Dementia Awareness), an expanded Holiday Hunger Programme, and a number of programmes in both arts and sports designed for people who are otherwise excluded from mainstream participation.

The Every Child A Library Member (ECALM) initiative aims to ensure that every child born in East Renfrewshire becomes a library member and their parents are supported to read with them from an early age. We will also work in partnership with ERC and others to address any impact Covid may have had in widening inequalities, exacerbating issues, or creating new challenges for communities. These include supporting programmes in partnership with both ERC Education and Health and Social Work (such as enrichment programmes and targeted activities).

4.5.6 Inclusivity & Diversity

As an employer we will revisit our People Strategy to promote initiatives which support diversity of our staff and, as a provider of public services, work with the community to ensure our programming is inclusive with a focus on widening participation especially families from low-income households, black and minority ethnic groups, people with disabilities / additional support needs, vulnerable children and care experienced young people, older people and children and young people.

4.5.7 Strategy Development

ERCL takes the lead in the development and production of key strategies on behalf of ERC and its partners and stakeholders. This has included the Sport and Physical Activity Strategy, the Public Libraries Strategy and the Arts and Heritage Strategy. These are key pieces of work setting out high level objectives and actions that optimise the resources of multiple partnerships to improve future performance and tackle key local issues.

5. Market Position

5.1 East Renfrewshire as a Market

The population of East Renfrewshire is 95,580 living in 39,275 households.

Household composition and age profile are key considerations in understanding our customer base. The age profile is:

- 20.3% aged 65 and over
- 59.7% aged 16 – 64
- 20.0% aged 15 and under

Over the next 25 years the proportion of children and young people and over 65s will increase as overall the population is projected to rise from around 96,000 at present to 101,230 by 2028.

The household composition is:

- Households with 1 or more dependent children – 31%
- Single person households – 30% (over 65yrs -14%, under 65 – 16%)
- Households with 2 adults (no dependent children) - 29%
- Households with 3+ adults – 10%

The key social grades of households in East Renfrewshire:
AB – Higher & intermediate management / admin / professional - 31.1%
C1 - Supervisory, clerical, junior management / admin / professional - 34.7%
C2 – Skilled manual workers - 15.6%
DE – semi-skilled / unskilled manual workers, on state benefit, unemployed - 18.5%

Within the Trust it is widely recognised that across our area we serve two relatively distinctive communities with differing demographic profiles.

- Eastwood (population 75%), which encompasses Busby, Clarkston, Crookfur, Eaglesham, Giffnock and Newton Mearns, is a relatively affluent area comprised predominantly of owner-occupied households with young families or households of older residents (65+ plus) living as couples or alone.
- Barrhead/Neilston (population 25%) is an area with pockets of significant social and economic deprivation and a wider spectrum of household types including: young families; older adults; and younger adults with no dependent children.

We analyse East Renfrewshire's demography regularly to assess the potential uptake and demand for existing services and the development of new services. This provides us with insight into the potential market for new services and the attractiveness of our services to different customer groups in particular areas.

Based on this broad review of household demographics we can identify four key customer groups or segments that comprise much of the market for our services.

Children & young people (under 16yrs)	Adults
Young adults (16-24yrs)	Older Adults (65yrs+)

The largest audience segment is the adult audience, and the key group within this segment is the 39% of the overall population who are between 35 – 64 years old. This group are regular users of all our services, and we market to this group digitally using social media, email marketing and google advertising.

A key customer group is families, 31% of households have one or more children and 20% of the population is aged 15yrs and under. We offer a large range of services and activities for children and young people and we predominantly market to their parents.

Older adults make up a further 20% of residents. While many are regular customers of our gyms, swimming pools, theatre and sports / arts classes, others with health and mobility issues are beneficiaries of our Live Active and Vitality exercise classes.

The smallest segment is young adults, 11% of the overall population, which is targeted by developing services aimed at this age group.

5.2 Timing and Alignment with Core Target Demographics

Understanding our customers requires us to appreciate the way different households' function. For example, young families are largely dominated by two considerations, parental employment and child education. Trust services and programmes such as Active Schools, Learn to Swim, Community Sports and Library activities for younger children are planned to take account of school terms, school holidays and school week cycles as parents (or carers) are already working and living with the school timetable.

Service planning and the development, pricing and scheduling of activities requires careful assessment of the potential uptake among different customer groups. This requires a flexible approach that will allow us to test new offerings and identify appeal.

5.3 Customer Journey

Improvements to the digital customer journey continue to be made including:

- continued uptake of online joining and online Direct Debits for gym and fitness memberships and swimming lesson memberships
- continued development of the website, including improvements to our Search Engine Optimisation, which increases traffic to our website from search engines like Google.
- growth of social media followers across Facebook, Twitter and Instagram giving a direct connection to target audiences, increasing website traffic and improving effectiveness of digital marketing.
- increased customer communications via the ER Leisure App
- launched Net Promoter Score surveys for gyms, fitness and swimming members to give regular feedback on product and service
- launched new book and pay service for sports and arts classes moving from pre-payment of ‘blocks’ of classes to monthly payments spread over the year, increasing customer satisfaction and participation
- integrated library events and activities on the website with the library online booking system
- improvements to the online library catalogue enabling better resource discovery and promoting usage
- introduction of card payment facilities at libraries
- introduction of new, faster public Wi-Fi services across libraries and venues

5.4 Vision, values and brand

East Renfrewshire Culture and Leisure’s vision, values and brand were established in 2015 when ERCL launched. ERCL has grown and developed since our launch and following our brand refresh in 2024/25, we will roll out our vision, values and brand to create a distinct identity that aligns with our aims, resonates with our audiences and builds on customer loyalty.

6. People

Internal communications were developed and improved as part of the response to Extended Leadership Group work following our most recent Staff Engagement Survey, but there is a recognition that more focus is needed on our People Strategy generally. Further work on our Mission, Vision, Value and Identify with core staff is planned for this year, together with the next Staff Engagement Survey.

Aims of our People Strategy

Our People Strategy sets out eight inter-related strategic aims, which will support the delivery of our overall strategic priorities and will further embed our values and behaviours.

Our Aims - we will:

1	**Attract** and **recruit** the best staff
2	**Develop** and **support** our staff to fulfil their potential and meet their career aspirations
3	**Retain** and **reward** our staff through recognising their contribution in the delivery of the charity's priorities
4	**Mobilise** our staff to become advocates for our values, and services and agents of change

Our Outcomes – we will:

5	Promote and secure **excellent leadership and management** at all levels, by empowering staff and embedding everyday leadership to secure the highest returns from our creativity and commitment
6	Create and maintain a **progressive, collaborative and healthy working Environment**
7	Establish a **sustainable and stable planning and delivery model**
8	Deliver **measurable community impact** and **demonstrable social change**

	Strategic Aims & Outcomes	Strategic Objective	Key measures of success and impact	Key Risks
Attract	Recruit the best staff to drive the success of the organisation. Develop our own workforce through internal programmes, especially targeted at Senior Pupils.	Enhance our reputation to improve our standing. Identify areas of excellence through business planning, pinpointing necessary roles and recruitment campaigns. Ensure flexible recruitment processes and develop partnerships and pathways to attract top talent. Maintain a diverse workforce with relevant skills, experience, and backgrounds. Provide learning and development opportunities for local Students/people to join ERCL.	Majority of posts filled first time with the right calibre of staff. Increased diversity of applicants.	Insufficient staff with the right skills and experience. Regulatory non-compliance. Financial constraints affecting the ability to create or fill posts or compete in the market.
Development	Commit to growing people and ideas.	Design, develop, and commission development programmes to meet staff needs and drive organisational improvement. Share learning and best practices internally. Support and develop all staff through appraisals with clear targets and expectations. Foster a culture of continuous improvement and service Understanding.	Meaningful annual performance and review appraisals for staff. Increased number of staff achieving in-work qualifications. Participation in mentoring, coaching, and development programmes. More staff mentoring and supporting colleagues.	Disengagement due to unclosed cycles of expectations, development, resources, and recognition.
Retain	Create an environment where staff can flourish, linking their performance to organisational success.	Develop fair reward and recognition approaches that celebrate excellence. Ensure staffing structures and models meet business and customer needs. Provide at-work programmes in sport, arts, and culture to enrich staff lives and foster passion for the organisation.	Increased internal recognition and promotion of staff. ERCL recognised as a desirable workplace. Staff turnover rates. Popularity and take-up of at-work activities.	Disengagement due to unclosed cycles of expectations, development, resources, and recognition.
Mobilise	We will help our employees be role models and advocates for sport, arts, and culture.	Develop a programme that provides volunteering opportunities for staff. Offer at-work programmes and opportunities in sport, arts, and culture to enrich the working lives of our staff and foster their passion and enthusiasm for our organisation.	Staff volunteer hours (external). High degree of satisfaction and motivation reported through staff engagement surveys.	

	Strategic Aims & Outcomes	Strategic Objective	Key measures of success and impact	Key Risks
Excellent Management and Leadership	Establish and grow everyday leadership to realise our common goals.	Ensure all leaders and managers are aware of their responsibilities and have the capacity to fulfil them. Collaborate and learn from peers in the sector and beyond to build best practices. Develop managers as leaders in their disciplines. Provide an induction programme that sets the benchmark for our development programme. Work in partnership with our trade unions to develop our approach to staff engagement, communication, and collaboration. Ensure leaders communicate and exemplify our values.	Excellent leadership recognised internally (staff survey) and externally The charity is recognised as an excellent place to work (staff survey and exit surveys). Number and quality of internal applications and appointments for leadership roles. Overall staff engagement survey scores and feedback.	Ineffective leadership or management skills leading to high turnover of high-quality
Progressive, Collaborative, and Healthy Environment	Create a progressive, collaborative, healthy, and enjoyable working environment that benefits both customers and staff.	Maintain our staff engagement surveys and listen to staff. Actively support health and wellbeing through Healthy Working Lives and at- work programme. Maintain effective internal communications. Enable leaders to proactively assess staff wellbeing, health, and safety within their teams and provide appropriate management information to ensure the maintenance and improvement of a healthy environment. Foster a culture of continuous improvement and learning.	Overall staff engagement survey scores and feedback. Ratings of management and leadership through staff engagement surveys. Sickness and absence rates.	Sickness levels rise because triggers are not identified and addressed early or properly. Accidents or health and safety issues arising from lack of training and development.
Stability and Sustainability	Develop apprenticeships, volunteering, internships, or work placement opportunities as pathways to employment with us.	Plan, implement, and communicate change clearly, sensitively, and thoughtfully.	Evidence of well-managed change programme (audits, feedback, or pulse surveys). Stress-related absence rates relative to the sector.	Poorly implemented change impacting staff morale, engagement, absenteeism, and wellbeing.
Community Impact	Undertake periodic social impact surveys to evaluate our effectiveness in line with community planning.			

7. Services

7.1 Current Delivery Structure

ERCL is currently structured around operational services, headed by the senior management team. These differ in size and have slightly different management arrangements. These are:

- Operations (Sports and Cultural Venues comprising Eastwood Park, Barrhead Foundry, Eastwood High Sports Centre and Neilston Leisure Centre, Swimming, Health & Safety)
- Sports and Physical Activity (Sports Development, Active Schools, Gyms and Fitness, Physical Activity, Health and Wellbeing Programmes)
- Libraries & Information Services, (10 Libraries; Information Services, Digital Participation & Inclusion, Support to School Libraries, Macmillan Cancer Information Points).
- Communities and Arts and Business Support. There are 17 Community Facilities, 14 outdoor Pitches and Pavilions; evening and weekend school lets across all 35 ERC schools, Heritage Services, Visual and Performing Arts and the professional programming of Eastwood Park Theatre.

7.2 Services Overview

7.2.1 Operations

- We operate four multi-function venues offering leisure and sport activities, professional theatre, library services, and facilitating school physical education. Our centres are busier than ever, with modernised programmes and significantly higher attendance across all activities.
- Our venues are strategically located in larger East Renfrewshire communities. Significant investments in Barrhead Foundry, Eastwood Park, and Neilston will further enhance our offerings.
- Our swimming development program has surpassed pre-COVID levels, the reopening of the pool in Eastwood High Sports Centre following refurbishment has also expanded our programme for people with Additional Support Needs from 17 to over 60 participants per week. The pools in Barrhead Foundry are due to reopen in February 2025, we expect continued growth. We’ve invested in developing new swimming teachers through seven training courses, maintaining high-quality provision with strong customer satisfaction.
- We’ve introduced a new school swimming programme, closely linked to the school curriculum, which has been nationally recognised as good practice. However, participation has slightly declined due to school budget pressures for transport costs.
- We will continue to embed and develop OpsPal, a health and safety support system, to improve premises operations and ensure a safe experience for our customers

7.2.2 *Sport and Physical Activity*

- The Sport and Physical Activity unit consists of an extensive Gyms and Fitness operation, a wide-ranging Community Sports programme which delivers sports coaching opportunities throughout East Renfrewshire, Active Schools programme, and Health and Wellbeing services

- We operate gyms and group fitness programmes in all four leisure centres. We have recovered and exceeded our pre-Covid performance and membership is at an all-time-high. We deliver 110 fitness classes per week, which we are constantly innovating, and testing new activity classes to meet demand. Junior membership has increased markedly after a full review and overhaul of our junior product. There is a high level of local private sector competition within the fitness market which drives us to focus on developing our products, customer journey and physical spaces.

- Community Sports is focused on community capacity building and income generation, delivering 90 mixed sport and physical activity coaching classes and 17 football coaching classes per week during the school term with over 1,850 children participating in these activities weekly. This is a new high in participation. During the school holiday periods, we provide up to 10 weeks of holiday camp activity for children and young people with a mix of commercial and free spaces for vulnerable and children from low-income families. We also support 32 local sports clubs and five Community Sports Hubs which have a combined membership of approx. 8,200 members.

- Active Schools is dedicated to developing and supporting the delivery quality out of school hours sport and physical activity opportunities for children and young people in all our schools (nursery, primary, secondary), an inter school sports competition framework and sports leadership opportunities (including the East Renfrewshire Sports Leadership Academy). Developing and supporting volunteers and providing teacher training opportunities and organising school to club links.

- We operate an extensive GP Referral (Live Active) and instructor led physical activity session programme (Vitality) to support people living with medical conditions and to prevent trips, slips and falls as constituent part of the primary care pathway in East Renfrewshire. Demand and participation in these programmes have increased markedly with ERCL being a brand leader in the Greater Glasgow and Clyde NHS area. We also deliver targeted programmes such as the For Your Entertainment scheme, which provides free access for vulnerable children, and the Health for Heroes scheme which provides our veterans with free gym membership.

7.2.3 Libraries and Information Services

- East Renfrewshire boasts 10 public libraries, ensuring almost every community has access. Since April 2021, library visits have steadily grown, with physical visits holding steady and virtual visits increasing slightly in the first half of 2024/25. Efforts to maintain this growth include engaging with schools, local groups, and expanding digital offerings.
- This aim of continued growth is set against a backdrop of the library service review which took place in early 2024. While this has resulted in increased capacity for staff this review has seen a reduction of operating hours across Clarkston, Giffnock and Mearns libraries.
- In addition to promoting reading and literacy and other cultural activities we support the residents of East Renfrewshire through ICT learning opportunities & digital support to health and well-being information and activities, and economic support.
- Public libraries are universally accessible with services accessed by all demographics in the community but through programmes like Bookbug and school visits the focus continues to be on families, children and young people.
- Public libraries tackle poverty through participation in cross-sectoral Cost of Living working groups, offering a safe and trusted space for all. As part of the #RootCause project and to encourage sustainability we have introduced initiatives from welly boot swaps to Halloween costume donations which will now be an ongoing service that we provide.
- Our Digital Participation team will continue to support learners through 1:1 and group learning opportunities and will work with partners such as Barrhead Housing Association across East Renfrewshire as part of the Digital Inclusion Partnership. We aim to develop a Maker Space environment in the learning centre at Mearns Library to allow us to offer access to 3D Printers, Virtual Reality headsets, Code Club activities, etc. in an appropriate environment.
- Service development will occur in areas around sustainability by introducing Lend and Mend hubs offering access to sewing machines and around supporting health and wellbeing through the introduction of Near Me facilities.
- Public libraries support for health and well-being takes many forms from programmes of activities aimed at tackling social isolation and loneliness, to improving mental health through reading for pleasure, to partnerships with both local and national organisations such as the Health and Social Care Alliance.
- The library service takes the lead role on GDPR and data protection for ERCL and provides professional support to ERC school libraries and librarians.
- The Macmillan Information Centre - Information and Support is delivered in libraries, specifically Barrhead and Clarkston but with outreach sessions in all libraries. Types of provision include regular drop-ins, information stands, and financial support and outreach services. All sessions are free and delivered by volunteers.
- Every Child A Library Member is a national initiative aimed at ensuring each child born in East Renfrewshire automatically becomes a library member, and their parents are supported to begin reading to their children at an early age. The refresh of this programme took place in 2023 and became fully embedded in 2023-24.

7.2.4 Community and Arts

- We welcome over one million visitors annually across our 17 halls, pitches, and pavilions, as well as through our school letting program. We provide spaces for community groups, commercial organisations, and individuals to meet and participate in activities and events at the heart of their community.
- Our customers, ranging from all age groups, engage in a variety of activities and events, including playgroups, lunch clubs, yoga classes, baby discos, weddings, and counselling services. Our team of hall keepers ensures a welcoming and safe experience, delivering first-class customer service.
- We support local and general elections and act as first responders in civil emergencies, with a team member embedded in the council’s Civil Contingency Response Team.
- The Arts and Heritage team offers diverse programs for engaging with arts, heritage, and cultural activities in East Renfrewshire. We manage the creative content and professional programming of Eastwood Park Theatre and Exhibition/Gallery Space, providing technical theatre support in sound, lighting, and stagecraft. We also develop and deliver visual and performance art classes, workshops, events, exhibitions, and outreach theatre.
- We collaborate with partners to deliver innovative participatory opportunities, such as Wake Up with Solar Bear (BSL theatre) and the Covid Stories Project with Green Space Scotland. We work with leading sector providers to ensure high-calibre live and streamed performances at Eastwood Park Theatre, including Royal Opera, Royal Ballet, National Theatre Live, and support Scottish Touring Theatre.
- Our reputation for carefully curated and co-produced work continues to grow, with events like “An Audience With” and traditional drama pieces such as Tally’s Blood, which attracted over 1,000 ticket sales. We manage the Heritage Service, offering popular heritage classes and supporting a dynamic group of volunteers. Our heritage database platform is being developed to provide better access for customers.
- Projects like Beyond 2020 Covid Reflections with Museums Galleries Scotland have been featured on Radio Scotland.
- The Business Support team underpins the work of the Arts and Heritage Team and all other services within ERCL. They handle bookings, events, classes, payments, direct debits, and refunds, supporting both customers and the wider ERCL staff. In 2023/24, they managed over 8,000 email inquiries, processed 20,000 booking requests, issued over 2,000 customer invoices, and raised 880 purchase orders. They also manage gym memberships and swimming lessons.
- Since the pitch function transferred to ERCL in September 2023, we have implemented efficiency measures, including a bookings process review, cancellation process review, and the implementation of Ops Pal across all sites. We have improved staff access to digital information and the live booking system, streamlined payroll and leave request submissions, harmonized cleaning processes, and invested in new equipment and staff development.

8. Operational Plans

To achieve our strategic aim of creating ***"a financially sustainable business model, balancing strong ambitions with commercial viability"*** we must address and reduce the budgeted operating deficit, i.e. the difference between the income we generate from commercial activities and grants and our total operating expenditure.

To support the business delivering services and ensuring that the commercial activities are driving the best value, alongside the need to meet our charitable aims, development is on-going on the operational planning to ensure that the scheduling, dependencies and support for all the activities are delivered in an efficient manner.

9. Financials

The Trust reported an operating surplus of £572k (loss of £66k excluding pension service costs) for the year ended 31 March 2024 (2023: £1,414k deficit; £87k surplus excluding pension service costs), which was in line with expectations. This is before allowing for the net actuarial gain of £638k in respect of the multi-employer defined benefit pension scheme (2023: gain of £3,293k). In summary, the financial position for the period ended 31 March is noted below:

£k	Year ended 31 March 2024	Year ended 31 March 2023	Movement
Income	12,476	10,736	1,740
Net Income / (Expenditure)	572	(1,414)	1,986
Actuarial Gains / (Losses)	(638)	3,293	(3,931)
Total funds (after retirement benefit scheme gains / losses)	2,823	2,889	(66)

The latest year of trading has supported us in meeting our charitable aims and objectives, ending the year with a strong financial position. 2023-24 saw the Trust continue to build on the growth of the prior year, with sustained increases in all the key services. This was despite market factors such as increased competition in key areas such as gyms and fitness, or the cost-of-living crisis on the one hand, or continued internal pressures, principally in staff shortages.

The principal funding sources are a combination of income generated through a level of sales, fees and charges for our charitable activities (£5.3m) (2023: £5.0m), as well as a Management Fee received from ERC of £6.0m (2023: £5.6m) for our work in managing the Leisure, Library, Arts and Community facilities within the local area.

The primary areas of spend are people £9.6m (2023 £10.2m), Property £0.5m (2023: £0.4m) and Supplies and Services £1.5m (2023 £1.5m).

9.1 Reserves Policy

During 2023/24, ERCL agreed for the unrestricted non-designated reserves to remain at £800k (increased from £500k in 2021/22). It was deemed that this increase would provide a small amount of insulation to the on-going challenges and allow for additional funds to support a reduction in income due to unknown customer behaviour as a result of both the pandemic and the current cost of living crisis together with providing the ability to fund recovery opportunities over and above those already designated, if required. This would be regularly monitored and reviewed annually by the Finance, Audit and Risk committee.

At the year end, the charity had a total deficit of £66k (2023: surplus of £1,879k). There was a surplus of funds of £2,823k (2023: £2,889k), of which £35k (2023: restated surplus of £106k) was restricted and £2,788k (2023: restated surplus of £2,783k) was unrestricted. Of this amount, £1,588k was designated for Transformation and Recovery activities, £317k to support the Digital Programme and £83k in respect of fixed assets, leaving free reserves of £800k.

The trustees will continue to strive to maintain the increased level of £800k unrestricted non-designated level of reserves in line with the reserves policy, but also to continue to rely on assurances of ERC as the sole member, to fund the Trust to meet its liabilities as they fall due, should the Trust be unable to do so.

9.2 Investment Policy

ERC manage investments on behalf of the Trust following their own organisational investment policy, primarily aimed at mitigating risk associated with safeguarding funds, ensuring liquidity of these funds and finally investment returns. As a result, the policy aims to invest cash and cash-like investments up to a maximum level on acceptable counterparties. Activity is monitored regularly, and the policy is reviewed annually.

Any surplus funds held by the Trust are placed on deposit in line with the Treasury Management policy.

9.3 Fixed assets

ERCL has a maintenance lease agreement with ERC for the use of the buildings and equipment linked with our charitable activities and as such these assets do not belong to the Trust.

9.4 Budget 2025–26 to be agreed

The latest forecast for 2024-25 has a higher-than-expected small surplus, with a deficit of £477k projected in 2025-26. This deficit is despite still having the benefit of the superannuation rate being temporarily reduced by 11.5%, saving the Trust £956k in payroll costs. Although the Trust has experienced strong trading across all services, we are still operating against a backdrop of rising costs, both in terms of increased pay awards and the continuing pressure of high price inflation. The pay award for 2024-25 will cost the Trust £114k above budgeted levels. All these factors have put critical pressure on ERCL's ability to deliver core services within its existing financial resources. It is assumed that the ERC service fee for 2025-26 will remain the same as 2024-25, however this is not guaranteed and is still under review by ERC.

£k	25/26 Draft Budget
Income	
Grant Income	331
Arts & Theatre Income	676
Theatre & Comm Facs Hire	567
Sports Income	3,399
Sports Pitches	328
Property / Other Auth & Agencies	182
Other Income	88
Operating Income	**5,572**
ERC Service Fee	6,055
ERC Claims	0
Release from Reserves	0
Total Income	**11,627**
Staff Costs	10,647
Property Costs	594
Transport	30
Supplies & Services / Other	1,789
Total Expenses	**13,060**
Superannuation Saving	956
OPERATING SURPLUS / (LOSS)	***(477)***

10. Support Services

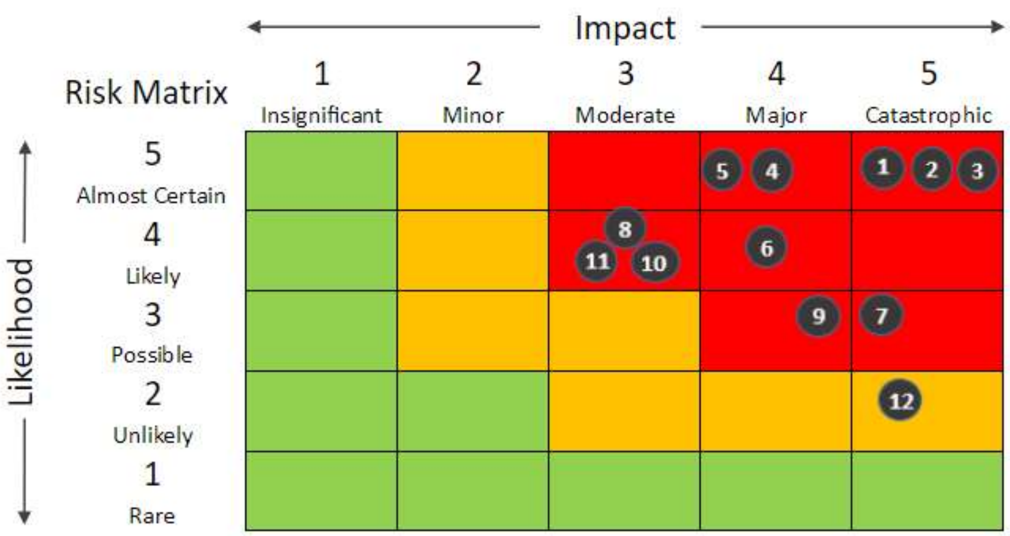
As noted in previous Business Plans, several key support services are provided to ERCL by ERC under Service Level Agreements. These are regularly reviewed and revised, it has been recognised that internal customer service with attendance KPIs and mechanisms for service improvement, are a developmental need across ERC generally and not just in relation to the services delivered to ERCL.

11. Risk Management

A detailed Risk Register is presented to the Finance and Audit and Risk Committee. Following consideration by the Finance, Audit and Risk Committee, an abstract highlighting the top key risks at any given point is considered by the Board, and a joint Risk Register is maintained by ERC and ERCL capturing shared risks.

Throughout the year the Risk Register is reviewed and revised in the light of the fluidity of the current environment, with risks considered accordingly.

The following table summarises the spread of risks across the business, together with a summary of the top 12 risks:



Ref	Risk Category	Summary of Risk
1	Facility Failure	Facility Failure impacts negatively on service delivery and performance, income or reputation. (Damage to key elements of the facility resulting in unbudgeted repair costs and suspension / reduction of services; maintenance backlog; Health and Safety issues; plant failure; and/or otherwise compromised service offering).
2	Savings Targets	Challenge of creating an effective balance between achieving proposed savings targets maintaining a vibrant and relevant service.
3	Capital Projects	Capital Projects impact adversely business through slippage or impact on management and operational resources.
4	Shared vision with ERC	A single agreed ambition or vision for ERCL is not articulated and agreed by and with ERCL and ERC and its constituent departments.
5	Recruitment	Difficulties in recruiting to key roles impact adversely on operations, finances or performance. Risk of loss of key staff in relation to EPLC decision / uncertainty around investment commitments.
6	Pool Plant	Mechanical failure of equipment, or operator error, leading to loss of operation, contamination and/or illness or injury to bathers.
7	Finance	Insufficient cash to operate the business due to continued losses and inability to generate sufficient operating income to meet liabilities. Operating expenses are primarily fixed costs, with 80% staff costs
8	Market Changes	Changes in the competitive environment resulting in fewer customers.
9	Industrial Action	Industrial Action leading to suspension of services, cancellation of events, loss of revenue, etc.
10	Partner Agencies - Changed Priorities	Changes to partner agency priorities resulting in an inability to deliver outcomes for dependent services and projects. HSCP withdrawal of funding for Wellbeing Officer role
11	Violence and Aggression	Increased aggressive behaviour by members of the public, caused by anti-social behaviour and resulting in injury, or stress to staff or other customers, and negative impact on sales and attendance. Decline in norms of behaviour in relation to public performances and conduct in public spaces noted across the country.
12	Civil Contingencies	Closure of buildings or cessation of service due to a major incident resulting in loss of use of the facility and 1) withdrawal of the service from customers and 2) loss of income.

AGENDA ITEM No.14

EAST RENFREWSHIRE COUNCIL

26 February 2025

Report by Director of Business Operations & Partnerships

CIVIC EVENT PROTOCOL (INCORPORATING FLAG FLYING PROTOCOL)

PURPOSE OF REPORT

1. The purpose of this report is to seek Council approval of the updated Civic Events Protocol (incorporating Flag Flying Protocol).

RECOMMENDATION

2. It is recommended that the Council approves the updated Civic Event Protocol (incorporating Flag Flying Protocol) attached at Appendix 1 to this report.

BACKGROUND

4. The Council has a long standing Civic Event Protocol (incorporating Flag Flying Protocol) which was last updated in 2023.

REPORT

5. The Civic Event Protocol (incorporating Flag Flying Protocol) has been refreshed and an updated version is attached at Appendix 1 of this report.

6 The revisions to the Protocol pertain to paragraphs 22 and 23, which have been amended to reflect the flags currently flown at Council HQ and to include the International Women's Day Flag, which is flown in March each year.

FINANCIAL IMPLICATIONS

7. There are no financial implications arising from this report.

CONSULTATION AND PARTNERSHIP WORKING

8. The Chief Executive, Provost and Political Groups Leaders have been consulted on this report.

RECOMMENDATION

9. It is recommended that the Council approves the updated Civic Event Protocol (incorporating Flag Flying Protocol) attached at Appendix 1 to this report.

Louise Pringle
Director of Business Operations and Partnerships

Report author:
Barry Tudhope, Democratic Services Manager, Tel: 0141 577 3023

Convener:
Provost Mary Montague, Tel 0141 577 3143

Civic Event Protocol

incorporating Flag Flying Protocol

CIVIC EVENT PROTOCOL

INTRODUCTION

1. The Director of Business Operations & Partnerships or Head of HR & Corporate Services or Democratic Services Manager, in consultation with the Provost, is authorised to deal with all matters in relation to the civic and ceremonial arrangements of the Council up to an estimated value of £1,000. Arrangements with an estimated value of over £1,000 will be passed to the Civic Hospitality Committee for a decision.

2. Members Services will arrange many civic and ceremonial events hosted by the Provost and co-ordinate Elected Member involvement in these. However, it is recognised that other events to which Elected Members may be invited will be organised by officers in other sections and departments.

3. When Members Services are arranging a civic or ceremonial event, they consider a range of issues including:-

- possible dates and times for the event
- identifying the principal guest
- determining which Elected Member(s), special guests and other invitees should attend

4. Regardless of who is organising an event, it is important that a consistent approach should be taken, particularly with regard to the involvement of the Provost and Elected Members. To achieve this, the following guidance should be taken into account when events are being organised.

ROLE OF PROVOST

5. An important part of the Provost's role is to raise the profile of the Council and East Renfrewshire. The Provost should attend civic, ceremonial and other events organised by the Council and may also be invited to attend events outwith the Council's area. This can come about in a number of ways for example:-

- an invitation from a third party
- a celebration of a special occasion e.g. 100th birthday
- paying tribute to individuals or community groups
- attending receptions for visitors to the Council
- attending an event or national event outwith East Renfrewshire

6. The Provost welcomes guests to all events organised by Members Services. However, given the Provost's particular civic role, it is also appropriate for officers in other sections within the Council who are organising any other events to consider inviting the Provost to welcome guests initially at the start of any such events. Where the Provost is not available, the Deputy Provost will be involved. Contact with the Provost can be made through the Provost's Secretary in Members Services.

7. If the Provost has been invited to welcome guests to a Council event not organised by Members Services as outlined above but is unable to attend, the Deputy Provost would be invited to stand in for the Provost. In the event neither the Provost nor Deputy Provost are available the person organising the event should consider whether or not to ask another Elected Member (most likely the Convener responsible for the service associated with the event) to welcome guests.

8. When an invitation to attend an external event has been received by the Provost from a third party, and they are unable to attend, at the Provost's discretion, the Deputy Provost will be invited to attend on behalf of the Provost. In the event neither the Provost nor Deputy Provost can attend the invitation will be declined.

WEARING OF THE CHAIN OF OFFICE

9. Either the Provost or Deputy Provost should wear their chain of office when representing the Council at an event.

10. In the event both the Provost and Deputy Provost are attending the same event, only the Provost should wear the chain of office.

CONVENERS AND ELECTED MEMBERS

11. In addition to the Provost or Deputy Provost, the Leader of the Council and appropriate Convener should be invited to attend an event which is run by the Council. Where the relevant Elected Member is unable to attend, then a substitute identified by them should be invited

12. When an event relates to a particular Council Ward(s), all Ward Members should also be invited. On certain occasions, it may be appropriate to invite all councillors where space permits.

MEMBERS OF PARLIAMENT (MP), AND MEMBERS OF SCOTTISH PARLIAMENT (MSPs)

13. The local MP and both constituency and list MSP(s) should be invited when the event is a national event, prestigious or for a special anniversary e.g. King's Award Presentation, 150th Anniversary, Armed Forces Day Event and Holocaust Memorial Day. They should also be invited when the Council is hosting guests from:-

- Scottish Parliament
- UK Parliament

14. Whilst all list MSPs should automatically be invited to national events as referred to above, this is not the case for events specific to East Renfrewshire although, depending on the circumstances/event, such an invitation may be considered appropriate.

MINISTERIAL VISITS

15. Approval must be sought from the Chief Executive for any proposals to invite UK or Scottish Government Ministers to Council-led events, or for a UK or Scottish Government-led event, such as the launch of a policy initiative, to take place on Council land or premises. Subject to approval being given, the Communications Team should be consulted in respect of arrangements for all such events. Contact should also be made with the Council's Members Services section for advice and to ensure that the Council's civic protocol is adhered to.

NOTIFICATION TO ELECTED MEMBERS OF MINISTERIAL/MP/MSP VISITS

16. If a government minister (UK or Scottish Parliament) MP or MSP is visiting East Renfrewshire, either in response to an invitation to a Council-led event or in the event of a government-led (UK or Scottish Government) initiative, the Communications Team will include information on the event in their regular Elected Members' briefing.

17. This will indicate in general terms if all, or only some, Elected Members will be invited to attend, and that specific invitations will be issued to appropriate Elected Members by the officer(s) dealing with the detailed arrangements. However, there may be circumstances due to security considerations where information cannot be provided in advance by the Communications Team in the Elected Members' briefing and in this case the Communications Team will provide the information after the event.

18. If a government minister (UK or Scottish Parliament) MP or MSP is visiting East Renfrewshire but with no involvement from the Council, the Chief Executive will arrange for any information regarding the event sent by the UK or Scottish Government to be shared with the political group leaders.

PHOTOCALLS

19. Arrangements for photocalls relating to civic events will be made as appropriate.

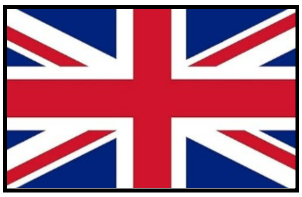
CHARITABLE FUNCTIONS

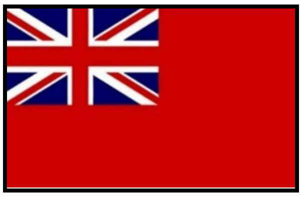
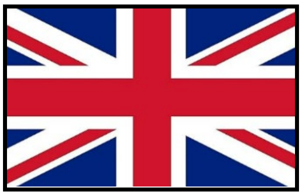
20. In circumstances where the Provost is involved in fundraising for charitable purposes, other than in respect of the Provost's Fund, a report must be submitted to the Council seeking approval for the Council's name to be attached to the appeal and for the commitment of resources where necessary.

21. Where the Council agrees to participate in a charitable or other event (e.g. a charity dinner or event organised by a Community Planning partner), then the Leader of the Council in consultation with the Provost will determine who will represent the Council.

FLYING OF FLAGS AT COUNCIL HEADQUARTERS (FLAG FLYING PROTOCOL)

22. East Renfrewshire Council will fly the following flags for specific occasions or events throughout the year:

	EVENT	FLAG	DATE TO BE FLOWN
	International Women's Day	International Women's Day Flag	To mark International Women's Day in March each year.
	Commonwealth Day	Commonwealth Flag	To mark Commonwealth Day in March each year.
	Workers' Memorial Day	Union Flag	To mark Workers' Memorial Day in April each year.

	Armed Forces Day	Armed Forces Day Flag	To mark Armed Forces Day in June each year.
	Pride	Progressive Pride Flag	To mark Pride Events during June each year.
	Merchant Navy Day	Merchant Navy Day Flag (Red Insignia)	To mark Merchant Navy Day in September each year.
	999 Emergency Services Day	999 Day Flag	To mark 999 Emergency Services Day in September each year.
	Remembrance Day	Union Flag	To mark Remembrance Day in November each year.

23. In addition to the flags specified above, in exceptional circumstances such as where there is designated guidance and/or request from government to fly a particular flag, and in line with the Council's Scheme of Delegated Functions, the Head of HR & Corporate Services or the Democratic Services Manager, in consultation with the Provost, will have delegated authority to determine whether such a flag should be flown and the duration for which it should be flown, taking account of any designated guidance, if available.

FURTHER ADVICE

24. Members Services, who have experience in arranging civic events, will be happy to provide any other or more detailed advice as necessary. Contact with the Provost and other Elected Members can also be made through Members Services. Members Services can be contacted on ☎0141 577 3107 or 0141 577 3143.

AGENDA ITEM No. 15

EAST RENFREWSHIRE COUNCIL

26 February 2025

Report by Director of Business Operations and Partnerships

LICENSING COMMITTEE - APPOINTMENT OF VICE CHAIR

PURPOSE OF REPORT

1. To seek approval for the appointment of a Vice-Chair of the Licensing Committee.

RECOMMENDATION

2. That the Council approve the appointment of Councillor Colm Merrick as the Vice-Chair of the Licensing Committee.

REPORT

3. At the Special Meeting of the Licensing Committee held on 10 December 2024, Councillor Edlin, seconded by Provost Montague, moved that the Committee recommend to Council that Councillor Merrick be appointed Vice-Chair of the Committee. No further nomination were made.

4. Therefore, the Committee recommended to Council that Councillor Merrick be appointed Vice-Chair of the Committee.

RECOMMENDATION

5. That the Council approve the appointment of Councillor Colm Merrick as the Vice-Chair of the Licensing Committee.

LOUISE PRINGLE
DIRECTOR OF BUSINESS OPERATIONS AND PARTNERSHIPS

Background Papers
Minute of Licensing Committee - 10 December 2024.

Report Author
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