

EAST RENFREWSHIRE COUNCIL**1 March 2023****Report by Head of Accountancy (Chief Financial Officer)****FINANCIAL PLANNING 2023-2029****PURPOSE OF REPORT**

1. To submit for approval the updated Outline Revenue Financial Plan for 2023-2029.

RECOMMENDATIONS

2. It is recommended that the Council: -
 - (i) notes the continuing budget pressures anticipated in the next 6 years and the mitigating actions proposed; and
 - (ii) approves the Outline Revenue Financial Plan 2023 – 2029

BACKGROUND

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

6. The Council had expected to receive three year settlement figures from the Scottish Government in December 2022 and had embarked on public consultation on this basis, however, due to the UK late autumn budget announcement, the Scottish Government settlement covered only 2023/24. As the Scottish Government will be announcing future budget plans in spring 2023, following a full UK budget, it is hoped that the Council can resume its multi-year detailed budget setting approach from 2024/25.

7. The Council budget, which will be set today, will be set for a single year only, as a result of the lack of longer term national financial planning information. The budget proposals for 2023/24 reflect the terms of the Local Government draft settlement, announced by the Scottish Government on the 20th of December 2022, together with subsequent updates. The Council's Outcome Delivery Plan and outline multi-year budget plans for 2024/25 onwards will also be refined to take account of the final figures.

8. Future multi-year budgets will align with longer term financial, workforce and asset planning. As recent settlements for Local Government have been on a single year only basis and have been difficult to predict, work has been undertaken by the Corporate Management Team to plan for a number of financial scenarios.

9. Traditionally the longer term financial outlook and the associated financial plans of the council have been presented at the annual budget meeting. This paper updates the Financial Planning document approved on 3 March 2022 and covers the next six years, 2023/24 to 2028/29.

10. It should be noted that financial planning is extremely difficult in the present economic and political situation, with continuing uncertainty on both the impact of Ukraine and the legacy of the COVID-19 pandemic complicating matters. Financial markets are uncertain about future economic growth prospects and the impact on the finances available to Scottish local government is very difficult to predict. One year budget settlements, high inflation/utility costs and late settlement of pay awards are making the situation even more challenging.

11. The Monetary Policy Committee of the Bank of England has taken action to address the inflationary pressures by implementing a series of increases in interest rates in recent months. This has resulted in the rate of inflation slowly beginning to reduce, but it is not yet certain when inflation and interest rates will fall back to previous levels. The Council will have to be prepared to continue to analyse a range of scenarios and be ready to undertake detailed budget planning as the most likely scenarios emerge for future years from future multi-year settlements.

FINANCIAL OUTLOOK

12. Each year since May 2018 the Scottish Government has published its Medium Term Financial Strategy, taking account of the new financial powers provided through the Scotland Acts 2012 and 2016.

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

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

15. The Scottish Government's latest Spending Review (published together with the Medium Term Financial Strategy) in May 2022, assumed that overall funding would rise by 1.7% in real terms for 2023/24, however this increase was to be directed to social security and health, with non-prioritised areas, such as most Council services, facing real terms reductions. Councils were told to expect flat cash settlements for the next three years. This is very challenging in view of current inflationary pressures.

16. After significant turbulence in the UK Government during summer/autumn 2022, the November Autumn Statement provided some additional funding via the Barnett formula but, with high inflation, the Scottish Fiscal Commission forecast that Scottish public sector funding in 2023/24 would fall by 1.6% in real terms compared to this year. Due to the prioritisation of social security and health, this would produce larger cuts for other services. The December 2022 Scottish Government budget confirmed this pattern, with real terms increases for health and social security and a real terms reduction in local government spending plans.

17. As a result of the late timing of the UK announcement, a multi-year Scottish spending review will not now take place after the UK budget announcement on 15 March 2023, so there remains a large degree of uncertainty in medium to long term financial planning at present.

18. In response to the 2021 Independent Review of Adult Social Care, a consultation on the proposals for a National Care Service (NCS) was launched in August 2021 and the analysis of the responses was issued in February 2022. The proposals set out wide ranging implications for IJBs including creation of Community Health and Social Care Boards directly accountable to Scottish Ministers with a commissioning local delivery body for the NCS. The

consultation did not include a financial analysis on the implementation of the proposals and detailed plans and timescales remain unclear.

19. The legacy of the COVID-19 pandemic continues to have a major impact on all public sector medium term plans, as could Brexit and the Levelling Up agenda. The Council's financial plans will continue to factor in any changes as these emerge.

20. More broadly, the Scottish Fiscal Commission and the Office for Budget Responsibility agree that, after a short recession, the Scottish economy will recover by early 2025, with inflation falling below the 2% target level and possibly turning negative in 2025/26.

21. The Council's Treasury advisers, Link Consultancy, have recently assessed the outlook for UK economic growth and interest rates. They note that the recent succession of bank rate increases, with the most recent bringing this to 4% in February 2023, is likely to be nearing an end, and that the rate should peak at no more than 4.5%. Once the worst of the inflationary pressures have loosened, bank rates can be allowed to fall back gradually.

22. Consumer Price Index inflation was expected to peak at near 11% towards the end of 2022 but has begun to fall back slightly earlier than expected (currently 10.1% based on January 2023). This resulted in the forecast 0.75% bank rate increase in February 2023 being restricted to 0.5%. However, despite welcome recent reductions in some fuel and gas prices, food and pay inflation remains high. Wage increases, excluding bonuses, remain between 5.5% and 6% and the fear that this will continue to fuel inflation will mean that interest rate reductions will only be considered cautiously.

23. The draft 2023/24 public sector revenue budget plans announced by the Scottish Government on 20 December 2022 reflected an increase of £498m (4.18%) in cash terms for Councils, but after adjusting for £427m of new commitments and policy pressures announced in 2022/23 and new commitments for 2023/24 included in the settlements, COSLA calculated this to represent only a £71m (0.6%) cash increase in core budgets. Most protection and new commitments related to Health and Social Care, Education and to 2022/23 pay awards. Pay increases for 2023/24 have not yet been agreed (with the 2022/23 pay settlements for teachers and Chief Officers also still outstanding) but negotiating bodies are expected to seek awards significantly in excess of the UK Government's long term 2% inflation target. These factors will continue to increase pressures on Council services which are not afforded Scottish Government protections or prioritisation.

24. Scottish Budget plans published relate only to 2023/24 and considerable uncertainty exists beyond this due to the ongoing impact of Brexit, the war in Ukraine, COVID-19, future Scottish tax revenues and the relative growth rates of the Scottish and UK economies. It is hoped that the Scottish Government will be able to move to multi-year settlements from 2024/25 and this would be welcomed as an aid to forward planning.

25. In recent years additional funding has been announced for local government as the Scottish budget progresses through the Parliamentary stages. Whilst some updates have

been confirmed since the initial settlement announcement on 20 December 2022, final confirmation of the 2023/24 Scottish budget will not be available until all stages are completed in early March 2023. However, further scope for late changes has reduced due to the SNP/Green joint working arrangements which include budget matters. Further information for later years should become available after the UK budget on 15 March 2023 and the Scottish Government's response thereafter.

26. Consideration has been given to the additional fiscal flexibilities announced during 2020 for local authorities, in particular reprofiling PFI/PPP debt calculations. This option was originally offered to help Councils to meet the cost of unfunded COVID-19 pressures without impacting on short term revenue budget plans, however Councils may also utilise this approach to assist with wider current budget pressures and the Council proposes to do this in setting the 2023/24 budget. Funding forecasts in this report also reflect that the Council intends to make use of existing COVID grants to cover any unfunded COVID pressures in 2022/23 and 2023/24 and does not expect COVID pressures to be met from core budgets.

27. The Council's grant for 2023/24 is £223.066m and produces a cash increase of £8.7m (4%) over the 2022/23 grant figure reported to Council in February 2022, however recognising that £7.28m of this increase relates to new commitments, mainly relating to adult social care, education and pay, this represents only a £1.5m (0.7%) cash increase, or an only slightly better than flat cash position once new non-domestic rates liabilities of £0.7m are factored in.

28. For the second consecutive year, the 2023/24 settlement gave Councils freedom to set their level of Council Tax for the coming year.

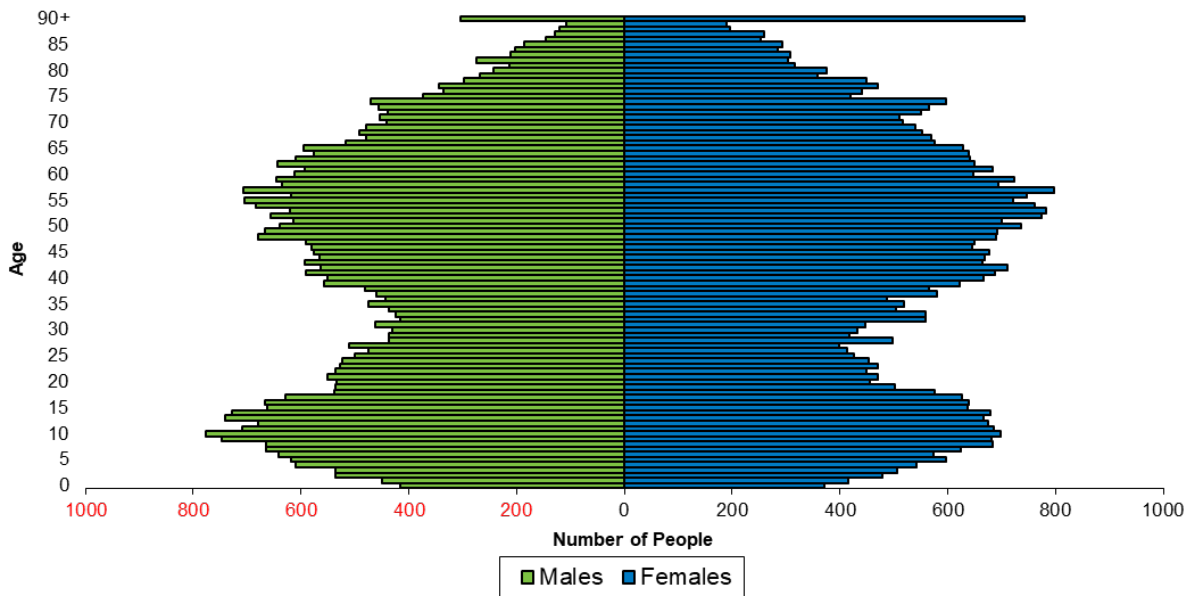
DEMAND PRESSURES

DEMOGRAPHICS

29. Our Planning for the Future report and Infographic Summary provides a comprehensive summary of a detailed analysis of the changing demographics of the East Renfrewshire Area. The report includes trend information from the Census and the use of the NRS mid-year estimates and NRS population projections. Information which is used to create the Local Development Plan such as service demand, SIMD data and future housing projections and associated infrastructure is also included. The report provides an overview of natural changes in the population such as birth and death rates and incorporates the latest figures released on the significant rise in net migration across the East Renfrewshire area.

30. The population of East Renfrewshire is currently estimated at 96,580. The pyramid below shows the population split by age group and gender. Around 20 per cent of the population is made up of children and young people aged 0-15. The working age population (16-64) accounts for 59 per cent of the population whilst older aged adults (65 and over) make up the remaining 21%.

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Source: NRS 2021 Mid-Year Population Estimates

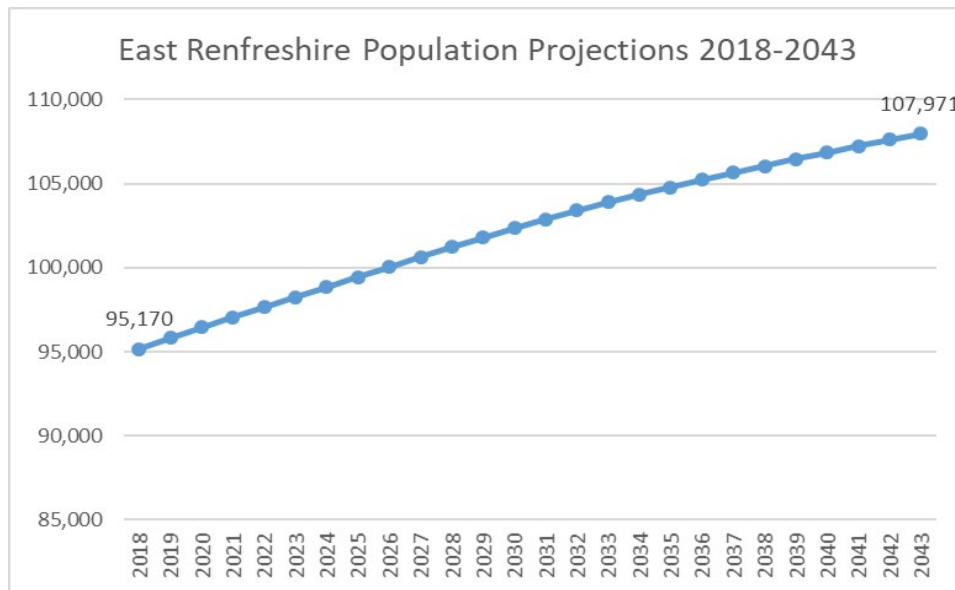
31. By 2043 the population of East Renfrewshire is projected to be 107,971, an increase of 13.5 per cent compared to the population in 2018 (base year for projections). The population of Scotland is projected to increase by 2.5 per cent between 2018 and 2043. Over the 25 year period, the age group that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

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

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

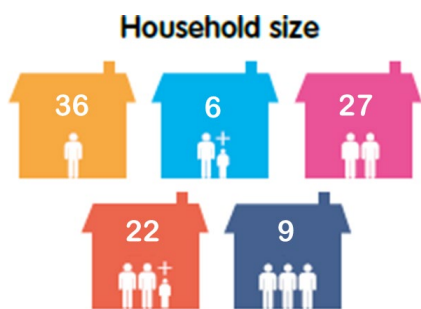
Source: NRS 2018-Based Population projections, published March 2020

33. It should be noted that a significant proportion of the growth in the 65+ population is accounted for by those aged 85 and over. This has an impact on our services because the number of people aged 85 and over is expected to grow at a faster rate than the rest of the population. On this basis we can expect the number of people with a need for home care or care home support to steadily increase year on year. The number of school age children is also expected to increase by more than 7% over this period.



Source: NRS 2018-Based Population projections

Predicted household size in 2043



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

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

Based Household projections, published September 2020)

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

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

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

The next 5 years

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

40. The number of households is projected to increase by more than 1,500 which represents a 3.8 per cent increase. This increase in households will create additional demand for the full range of council services especially waste management, road

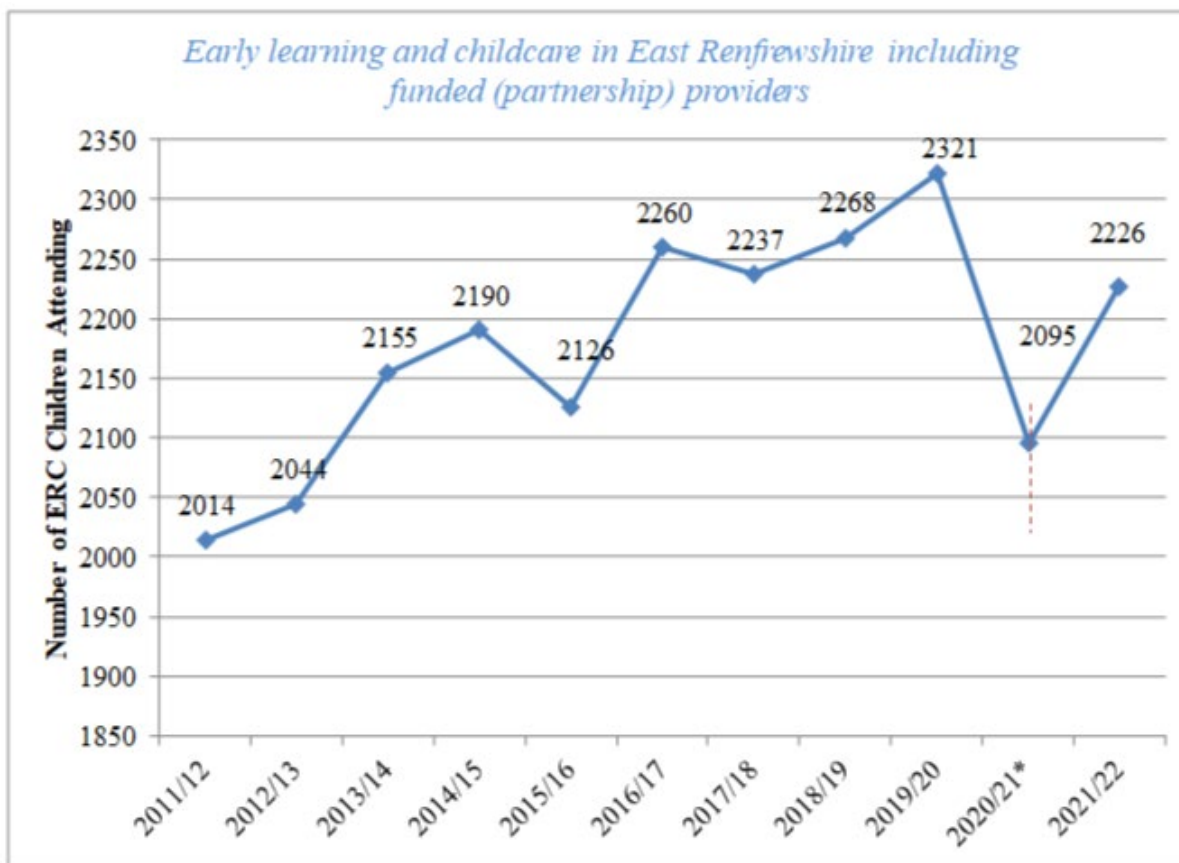
maintenance, parking, money advice, customer services, early learning, childcare and education, employability, schools, health and social care, leisure and transport.

41. The pattern of more people entering East Renfrewshire than leaving is expected to continue. The largest proportion of entrants mostly tends to come from the Glasgow City Council area each year. In recent times the Education Department has seen a proportion of new applications for children and young people who have moved to the Council area from abroad; this includes a significant number of children from Hong Kong, refugee families from the conflict in Ukraine and other parts of the world, and unaccompanied refugee children. This has and will continue to result in the requirement for additional support for such children, where English may be an additional language or little spoken/knowledge of English, in the form of specialised teachers (or training) and resources for learners of English as an additional language.

42. In East Renfrewshire there has been a rise in population of children under 15 years old. From 2016 to 2021, the number of children under the age of 15 increased by 5.3 per cent. The proportion of 0 to 14 year olds as a percentage of the total East Renfrewshire population is the highest across Scotland. This suggests that those moving into the area do so with young families.

43. Projections also show the children and young people cohort continues to grow over the next 25 years, which produces increasing demand for early learning and childcare, primary and secondary school places. The chart below shows that increasing trend in the number of 3 and 4 year olds in East Renfrewshire attending Council and funded (partnership) providers (i.e. private, voluntary and independent sectors and childminders) early years settings over the past 10 years; an increase of 11% from 2011/12 to 2021/22. It is anticipated that in line with the trend and projection of increasing population in this age group, the demand for early learning and childcare will continue. This demand will also increase with legislative changes, enabling children who are not 5 years of age at the start of the school academic year to access another year of fully funded ELC.

44. The number of 3 and 4 year olds resident in East Renfrewshire attending early learning and childcare centres managed by the Council and funded (partnership) providers (i.e. private, voluntary and independent sectors and childminders) has increased by 11% from 2010 to 2021. It is anticipated that in line with the projections the number of 3 and 4 year olds in the Council will increase in future years.

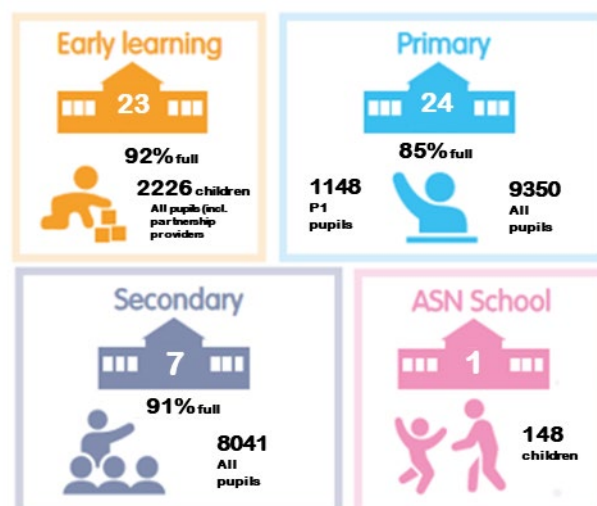


There is a legislative requirement for flexibility, accessibility and choice for families in the early learning and childcare (ELC) offer. In ensuring that families are able to access their statutory entitlement in line with these Scottish Government principles, it is essential to ensure that choice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

45. Through ongoing revisions to the operating models, admissions procedures and through regular consultation, the Education department will look to ensure that any additional capacity can be utilised by families through the purchase of add-on hours, supplementing their child’s attendance patterns. With consideration to the number of available ELC places related to staffing levels within establishments, the overall occupancy rate in ELC establishments in 2021/2022 was around 92%.

46. To fulfil the statutory duty and implement the Scottish Government’s Funding Follows the Child Guidance, local authorities must support parental choice and so there is the need to fund ELC places from the private, voluntary and independent sectors and childminders. In 2021/22 18 per cent of the early learning and childcare provision was commissioned from funded providers for East Renfrewshire children.

47. The annual school census figures of the number of pupils in our schools shows that the total number of primary pupils has steadily increased by over 15% between 2011 and 2021. From 2011 there has been a reduction of around 41% in the number of primary aged children who attend an East Renfrewshire school and reside outwith the council area, whilst the number of East Renfrewshire resident children has increased by 22% over the same period. This will further impact



on secondary school pupil numbers in subsequent years as these pupils move through the year stages. In recent years, the school census shows an increase in the number of East Renfrewshire resident young people coming through our secondary schools.

48. Overall the occupancy rates in the primary and secondary school sector are at 87% of available planning places. There are varying rates across schools, but there are several establishments with very high occupancy levels, with 12 establishments where the school's roll is in excess of 90% of its planning capacity

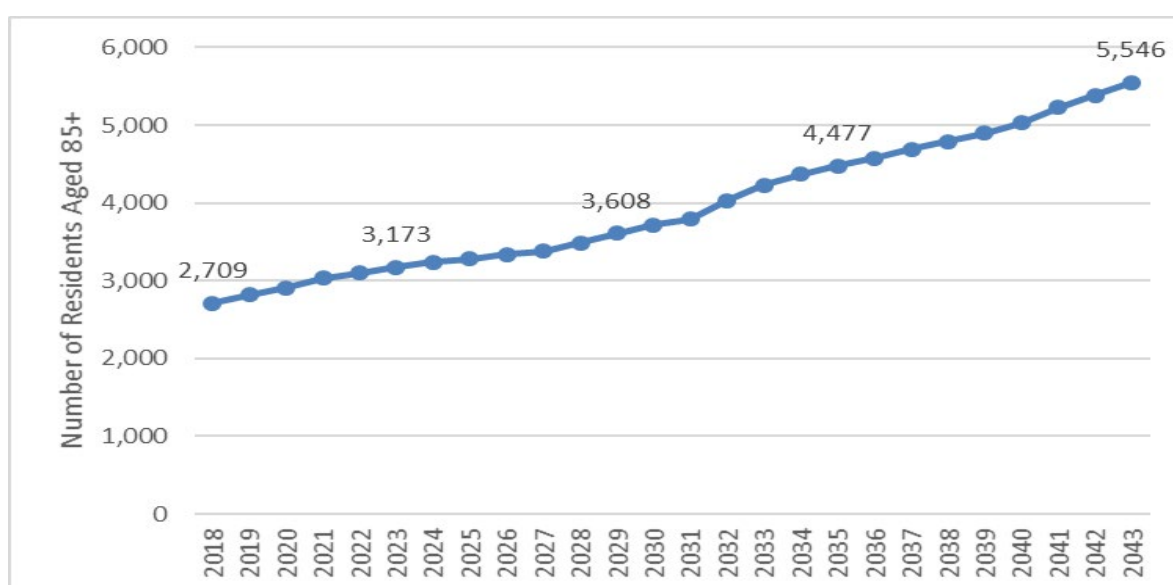
49. Further new education places will be required as a consequence of ongoing and planned new residential development and inward migration to the authority. This includes the need to increase the very specialist places for our most vulnerable children and young people as more families move into the area to access this widely recognised and valued specialist provision. The authority continues to make progress with its review of provision as part of a wider assessment of the needs of ASN services across the authority looking at how best to address needs in the short and longer term. The Education Department recently undertook a public consultation on the creation of ASN services at Carolside Primary School which was approved by Education Committee on 8 December 2022. This will ensure appropriate support for early years and primary school learners on the basis of their needs and to ensure availability of places to such provision. The Education Department continues to consider its provision of ASN services for the secondary sector given the increasing demands in this sector. Accordingly there is likely to be an increasing revenue and capital spending pressure to meet the demand for such specialist support in the coming years.

50. The number of looked after children in East Renfrewshire has fluctuated over recent years from a high of 146 in 2018/19 to a lower number of 128 currently for 2022/23. The drop is partly due to the reduction in Children's Hearings that took place during the COVID-19 pandemic. As hearing activity has returned to normal, the expectation is that numbers of children on supervision will increase and stabilise again to previous levels. Importantly, within the looked after population there has been a decrease in children being accommodated away from their family, with those in foster care decreasing by 39.5% from 2018/19 to the current day, and an increase in those looked after with family. This is as the result of significant efforts by staff to maintain children with their families where it is safe and in the child's best interests. However, the number of young people requiring residential care placements due to very complex needs has increased by 41.7% from 2018/19 financial year to the current day.

51. This reflects the rise in the number of families in crisis who have been seeking support and the high risk of family breakdown and children requiring care placements, particularly those with a neuro developmental diagnosis. Concerns are complex with many families from backgrounds that would not ordinarily require social work interventions. In addition there is a significant upward trend in the percentage of looked after children who have a recorded disability. This has risen by 15% in four years. 38% of children known to social work teams have a complex disability and the number of children in receipt of an individual budget has quadrupled since 2014. This will continue to be an area of significant growth and budgetary pressure. The recommendations from The Promise will likely place additional expectations on the delivery and quality of looked after children's experiences within placements and the community.

52. Between 2020 and 2021 East Renfrewshire experienced a 0.9 per cent decrease in the number of births, decreasing slightly from 797 in 2020 to 790 in 2021. This is the fourth consecutive year where the number of births has decreased within East Renfrewshire. The number of births across Scotland increased between 2020 and 2021 by 2.1%. The East Renfrewshire deaths decreased by 4.1 per cent between 2020 and 2021. East Renfrewshire has amongst the highest life expectancy rates in Scotland for both men (79.4) and women (83.8).

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



Source: NRS 2018-Based Population Projections, National Records of Scotland

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

55. 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 in part

compensated for 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.

56. The Council's General Revenue Grant is primarily made up of Grant Aided Expenditure (GAE), former ring fenced grants and redeterminations (of new grants since 2008) with GAE the most significant contributor to our overall grant from the Government. The general revenue grant is also impacted by grants for loans repayments, the floors mechanism, "changes" which reflects the Council's share of any overall funding increases (or decreases) made available to local government and estimated changes to Council Tax income.

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

58. For many years East Renfrewshire Council's share of overall GAE had been steadily increasing as our population has grown. However, larger increases in population in other areas, particularly in the east of Scotland, have meant that East Renfrewshire's growth rate is now closer to the Scottish average. This change and an increasing focus on deprivation and other factors have slowed the growth trend for GAE, with the Council's share of GAE broadly steady over the last few years. The Council now has a 1.95% share of the overall GAE (2022/23 1.93%), but this is still significantly higher than our population share of 1.75%.

59. This high share is as a result of the relatively high number of pupils at our schools which is in part due to larger than average family unit sizes and in part due to the level of placements at our schools. Our share of Education GAE at 2.2% is well in excess of our population share and, as education GAE is the largest element of GAE at 53.3%, the effect on the council's budget is significant.

60. In overall terms it is estimated that the high pupil numbers will increase our expenditure by almost £24m as compared to an average council of a similar population and this is taken into account by the Government in estimating our budget needs.

61. Our share of social work GAE is slightly below our population share at just over 1.73% but this too has been steadily growing over recent years primarily as a result of our ageing population with the calculations giving us a high premium for those over 85 years of age who are likely to be in the most need of care at home or a nursing or residential care placement.

62. The other determinants of funding, i.e. former ring fenced grants (FRFG) and redeterminations, have stayed largely unchanged.

63. In recent years, much of the increased grant share from demographics has been cancelled out as a result of the Floors adjustment. This mechanism is designed to limit the level of grant reduction that any Council with falling demographics can bear. This is having an increasing impact on East Renfrewshire, while protecting Councils with falling population from directly related budget reductions. East Renfrewshire's grant was reduced by £3.595m in 2022/23 (2021/22 £3.271m).

64. These changes to our grant calculations mean that instead of an increase in GAE and other grants as we had usually planned for in previous years, it would be prudent to plan for a static level of funding until the new trends are more established.

CAPITAL INFRASTRUCTURE

65. In terms of the capital infrastructure required to service our population's demands, the Council has produced a Capital Investment Strategy to inform investment priorities. This looks beyond our Capital Plan which covers 10 years. The Council will continue to utilise its Capital reserve provision and forecast developers' contributions to help support the investment required in relation to population growth in the coming years, but whilst inflation on capital works remains high and Scottish Government capital grants remain relatively fixed in cash terms, this will increase pressures for Councils to borrow to finance capital works. This in turn increases pressures on revenue budgets from capital financing charges, especially as interest rates have been rising in recent months.

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

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

CITY DEAL

68. Work continues to progress on the Council's £44 million of City Deal investment. In Newton Mearns, this has produced opportunities for business startups and networking at the new facility at Greenlaw (new tenants have now begun to move in following the facility's use

as a COVID testing site over the last 2 years). At Barrhead North the remediation of the former Nestle site will provide exciting opportunities for retail and business and will create employment opportunities. The City Deal investment also includes significant transport infrastructure projects which aim to kick start regeneration and to create access to employment in the communities of Barrhead and Eastwood. Improvements on Balgraystone Road have enabled an accelerated affordable residential development in Barrhead and improved accessibility to the Dams to Darnley Country Park. An already created bus interchange will serve a key City Deal project; a new rail station in south Barrhead on the existing Glasgow to Neilston branch. The Aurs Road Realignment between Barrhead to Newton Mearns will improve road safety, replace a weak bridge, deliver new active travel route, a new public promenade on Balgray Reservoir, install a replacement culvert between Balgray Reservoir and the Brock Burn and will provide new visitor facilities at the Dams to Darnley Country Park.

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

LEGISLATIVE CHANGE

Entitlement to 1140 hours of Early Learning and Childcare provision

70. The new statutory duty to increase the entitlement to free early learning and childcare from 600 hours to 1140 hours per year for all 3 and 4 year olds and eligible 2 year olds came into effect in August 2021, having already been made available to families in East Renfrewshire from August 2020.

71. To provide families with flexibility the Council delivers the entitlement through a range of delivery models. The offer of such flexibility was achieved through the development of new establishments and extending some existing early years' provision, accompanied with increasing fully funded ELC places provided by the private, voluntary and independent sectors and childminders.

72. The expansion from 600 to 1140 hours of early learning and childcare required a transformational increase in the early years' workforce, which presented a significant challenge over a short period of time in addition to significant revenue resources, to deliver locally in line with the principles of quality, flexibility, accessibility and affordability.

73. Whilst additional capital and revenue funding was made available from the Scottish Government towards the costs of the new early learning and childcare entitlement, initial revenue allocations did not fully cover the annual cost of expansion to 1140 hours under the

Council's delivery plan. The current financial year 2022/23 is the first year of a new methodology which has been introduced to allocate overall ELC resources going forward. Whilst the specific amount will be subject to the overall level of funding provided nationally, it is envisaged that this new methodology will provide a higher allocation of funding for East Renfrewshire in future. Unfortunately, the full extent of the changes are being phased in over 3 years, meaning that the service will not fully benefit until 2024/25. For 2023/24 the ELC national revenue quantum will be reduced by £9.1m meaning that whilst ERC will benefit from a higher share of funding, the overall sum available nationally has been reduced.

74. The Council nurseries and family centres remain very popular with families with an ever increasing level of flexibility and accessibility across each of the geographical communities. The Children and Young People (Scotland) Act 2014 requires local authorities to consult on early learning and childcare every 2 years. This will include seeking to address the changing needs of families with regards flexibility and choice and changes in provider status, reflecting available resources. East Renfrewshire consulted with families in November 2022, with models being adapted according to demand and feedback.

75. This level of flexibility and accessibility is at risk if the Council's resources continue to be restricted and delivery models may need to be reviewed in light of resources made available.

76. New legislation was laid in the Scottish Parliament by the Scottish Government in December 2020 extending the right to funded ELC places for all children who defer entry to primary one. This will mean that, from August 2023, all children who are not yet 5 years old at the start of term and who defer, will be entitled to continue accessing funded ELC for another year; in the current system only the youngest children, i.e. those with a January or February birth date, currently have this entitlement. The department has introduced revised school and ELC admissions processes to manage applications for deferrals and ensure that all children can continue to access their entitlement in their geographical community. It is estimated that around 15% of those who meet the new extended criteria for eligibility to access the additional year of funding will do so initially, resulting in further pressures on physical capacity and a requirement for increased staff resources to continue to meet statutory ratios in ELC. Following the introduction from August 2023, the department will monitor uptake and it will feature in future financial planning.

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

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

78. In 2023 the Scottish Government intends to progress with its expansion of free school meals for all primary 6 and 7 pupils in receipt of the Scottish Child Payment, as the next step in fulfilling its commitment to universal provision in primary schools from August 2024. The revenue allocation to the Council to support this expansion is yet unclear and may result in additional financial revenue pressure for the Council.

Digital device for every school attending pupil

79. The Scottish Government's Programme for Government published in September 2022 indicated its intention for every school-aged learner to have access to a digital device by the end of this parliament in 2026. Whilst the allocation of any capital and revenue funding associated with this initiative is unclear, the allocation of a device to every child may result in increased pressure on the Council's revenue budget as a consequence of factors such as increased utility costs, technical support for users and ongoing maintenance of devices.

Reduction in non-class contact time for teachers

80. The Scottish Government has committed to reducing the class contact time of teachers by 90 minutes from 22.5 hours per week to 21 hours per week with the intention of facilitating opportunities for teaching staff to access professional development opportunities and to design, plan and deliver improved educational experiences for children and young people. The timescales for implementation are still to be agreed. The reduction in class contact time for teachers will result in the requirement for additional teachers to be employed. Accordingly there will be a spending pressure to meet the demand for additional teachers, albeit this may be offset by additional Scottish Government funding.

Education governance: Empowerment

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

Educational Attainment

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

83. East Renfrewshire's share of the local authority allocation is £135k in 2022/23, this will rise to £533k in 2025/26. The Education Department's Scottish Equity Fund strategy for the use and monitoring of impact of such funding was approved by Education Committee on 25 August 2022.

84. In terms of PEF, East Renfrewshire schools benefitted by £1.485m in 2022/23 with funding distributed directly in line with the policy objectives and based on the number of pupils registered for free school meals; the PEF allocation to schools will continue to be £1.485m in 2023/24. PEF spending must be additional and determined by head teachers in consultation with their school community including staff, parents and pupils and focus primarily on closing the poverty related attainment gap; accordingly the Council is not at liberty to control any of this funding. Many of our schools use a participatory budget approach to determining spend.

Instrumental music tuition and core curriculum costs

85. The Scottish Government has committed to meeting the costs for families of all core curriculum charges (such as costs for Home Economics/Technical subjects etc.). In addition further budget will be allocated to all local authorities in Scotland towards the cost of the Instrumental Music lessons, removing the cost of this from families. To date the money received from the Scottish Government has not met the expected levels to be able to meet pupil demand and/or growth in the instrumental music service. There is also a concern that the funding provided as part of the Scottish Government's commitment, and future funding allocation, will not take cognisance of other factors such as demand for music tuition, which is high in East Renfrewshire and which as a consequence will possibly result in increased pressure on the Council's budget to meet the rising demand.

Gaelic Medium Education

86. The Education (Scotland) Act 2016 places a duty on education authorities to promote and support Gaelic Medium Education (GME) and Gaelic Learner Education (GLE) and establishes a process by which parents can request Gaelic Medium Primary Education

(GMPE) from their education authority. The Council recently received a request seeking an assessment of the demand for GMPE in East Renfrewshire. The details of the initial assessment and the approach to the subsequent full assessment were considered at Education Committee on 3 February 2022.

87. In accordance with the statutory guidance, the Education Department has now determined that there is demand for GMPE within East Renfrewshire Council following the full assessment, from school session 2023/24, and undertook a public consultation on the location of GMPE, proposed as Thornliebank Primary School. The consultation report was considered by Education Committee on 8 December 2022 with Thornliebank Primary School being approved as the location for GMPE from August 2023. The Education Department has submitted a revenue bid for funding to meet some of the costs of the staffing for the GMPE provision as well as other revenue costs such as transport; this grant will likely fund up to 75% of the revenue costs associated with the school with regards to staffing and pupil transport. In addition the department has also submitted a bid to the Gaelic Capital Fund to allow for accommodation works to take place at the school. As yet this has not been confirmed. Accordingly, there will be an increasing spending pressure in future sessions to meet the demand for GMPE.

Protection for Teacher and Pupil Support Assistant Numbers

88. In recent weeks, the Scottish Government has indicated that it is considering further measures to ensure that Councils maintain numbers of teachers and pupil support assistants within schools, effectively protecting large areas of Council budgets from cuts. As Education is by far the largest Council service and that social care, the next largest service, must receive at least a flat cash budget contribution, this means that the bulk of the budget reductions in the coming years would impact most on the remaining smaller environmental, community and support services. Local Government bodies are concerned that this is unsustainable and are making representations to the Scottish Government on this issue, calling for a fairer overall settlement for Councils in future.

Participatory budgeting

89. In October 2017 COSLA Leaders endorsed the Community Choices Budgeting Framework (mainstream Participatory Budgeting), which committed Councils to 1% of their budget being allocated through participatory methods. This target figure was £1.96m in 2021/22.

90. In principle, the Council defines mainstream PB as when we cede elements of control or decision making to communities; can attach a specific monetary value to it and communities recognise that they had the power to make decisions. In previous years local people have decided on designs and equipment for local parks; determined the Town Centre Fund projects and defined how Maidenhill Primary and the Calderwood Lodge/St Clare's Joint Campus and the joint learning campus of Neilston, St Thomas' Primary Schools and

Madras Family Centre, would look and operate. The expectation on local authorities is that PB does not become an exercise in top slicing budgets to “do PB”. Local authorities are expected to embed processes for local people to have a direct and active role in mainstream budgetary decisions. This means that PB activity can be complex, requiring clarity of scope, detailed forward planning and commitment to implement properly.

91. As detailed in paragraphs 81 and 82, East Renfrewshire received a share of Scottish Attainment Challenge Funding for the first time in April 2022. The four year commitment of funds enables the department and our schools to identify activities, approaches or resources which are clearly additional to universal improvement plans and are carefully targeted at improving outcomes for those children and young people most impacted by poverty. Using the identified themes and relevant data as a starting point, a participatory budgeting approach was taken, where children, staff members, parents and wider partners further developed the rationale for the funding and outlined key activities, grounded on evidence that would complement the existing Local Improvement Plan and further tackle the poverty related attainment gap. A representative group of these key stakeholders met and prioritised the activities identified and agreed on the initial funding spend.

92. Following delays due to the pandemic, the Council was able to turn its attention to PB again in the last two years – holding staff workshops throughout 2021 and 2022 to enable department colleagues to refresh their awareness and understanding of PB and explore examples from other Councils. Staff across Business Operations and Partnerships, Education, Environment and the HSCP are currently working to identify and explore opportunities for building PB into their work in 2023/24.

93. In 2021/2022 the Environment Department committed £699,000 of the Gatehouse development at Cowan Park, Barrhead for PB through a community participatory and survey exercise that resulted in a new café and public toilets.

94. In 2022/2023 PB projects have taken place in a number of schools and HSCP colleagues are exploring a number of PB activities through the Drug Mission Fund. This includes a lived-experience peer led group and family support project at a total value of £0.016m

95. Following a pause during the pandemic, the Council was able to reinvigorate its approach to locality planning through Linking Communities, an umbrella group of representatives from each neighbourhood who have delivered PB events since 2019. During May and June 2022, Linking Communities held 3 events within the Locality Planning areas of Barrhead, Neilston and Thornliebank with 45 local groups and organisations receiving in total £82,928 of a £95,000 Council community fund. A further event will be held in March 2023 to allocate the balance. Our Community Planning Partners at VAER ran the first of a grant making PB event in November 2022 with £150,000 provided by the Council via COVID Funds. £75,000 was allocated to 24 projects. A further event will be held in February 2023 to allocate a further £75,000.

96. In addition to these events, East Renfrewshire Youth Voice delivered the first ever youth led PB which saw 14 youth groups access a share of £5,000 funding to provide them with new opportunities as they took steps to recover from the pandemic. Applications were received from 18 groups which met one of 4 themes - environment, safe spaces, mental health and health and well-being.

97. Overall, however, it will be challenging for East Renfrewshire to reach the target 1% level in the near future.

Welfare reform

98. The reform of the Welfare System and the demand related to COVID-19 has led to changes in the responsibilities of councils and the levels of financial support available to residents. The Council has allocated a welfare contingency fund and is also allocating COVID-19 funding to cope with these changes.

Climate Change – Net Zero Carbon Targets

99. All of the Council's revenue and capital expenditure will need to be reviewed in light of the requirement to achieve net zero greenhouse gas emissions by 2045. This will be an ongoing process over a number of years and will require investment decisions to be reappraised on a case by case basis. At the moment the cost of this and the funding that could become available is unknown. A draft climate change strategy or "get to zero" strategy is being prepared and will then be subject to a Strategic Environment Assessment before full adoption.

WIDER POLITICAL, SOCIETAL AND ECONOMIC CHANGE

Brexit

100. While the United Kingdom left the European Union a number of years ago, the full socio-economic impacts are only likely to be apparent over a number of years, requiring to be monitored. The primary and most obvious local impact will be the change from European Structural Funds (ESF) to the UK Government's Shared Prosperity Fund (SPF). The SPF will initially operate a three year programme.

101. In the 2014-2020 programming period, East Renfrewshire Council received £1,253,904 for the delivery of employability activity through ESF and £266,030 for business growth grants and Business Gateway services through European Regional Development Funding. The SPF commenced in the 2022/23 financial year, and acts as a central pillar of the UK Government's Levelling Up agenda. Overall, the SPF provides £2.6 billion of new funding across the UK for local investment by March 2025. All areas will receive an

allocation from the Fund through a funding formula rather than a competition; with the view of helping places across the UK to deliver enhanced outcomes, while recognising that even the most affluent parts of the UK contain pockets of deprivation and need support.

102. The overarching aim of the SPF is to build pride in place (and increase life chances), this is supported by three investment priorities: Communities and Place, Supporting Local Business, and People & Skills.

103. East Renfrewshire Council has been awarded £2,722,202 for the 2022/23 to 2024/25 programme. The SPF rules dictate the fund is split between revenue and capital expenditure. A paper outlining proposed projects to be supported by the SPF was approved by Cabinet on 10 November 2022.

104. In the shorter term, however, the nature of the UK's trade deal will also impact upon many aspects of Council activities including procurement, workforce and legislative frameworks. Impacts arising from the UK's departure from the European Union will continue to be monitored.

105. The UK Government has also introduced another funding stream, the Levelling Up fund. This is a competitive funding application process and ERC submitted a bid for £20m in respect of Thornliebank and Barrhead in the most recent phase. Unfortunately this was unsuccessful, but we await feedback which may help with future bids.

COVID-19

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

Proposal to Develop a National Care Service

107. In response to the 2021 Independent Review of Adult Social Care the Scottish Government launched a consultation on the proposals for a National Care Service (NCS) in August 2021 and the analysis of responses was issued in February 2022. The proposals set out wide ranging implications for IJBs including the creation of Community Health and Social Care Boards directly accountable to Scottish Ministers, with a commissioning and local

delivery body for the NCS. The proposals have far reaching implications for local authorities and the current arrangements for delivering social care services. This must be monitored and factored in to future Council plans.

Economic uncertainty

108. Brexit and political changes around the world have been exacerbated by the global COVID pandemic, the war in Ukraine and recent turbulence within the UK Government. This has increased market uncertainty resulting, with a sharp rise in inflation and interest rates increasing to combat this. Whilst the rate of increase in inflation is beginning to slow, it is forecast that the UK Government's long term target of 2% will not be achieved until 2024. Interest rates are also still rising, however they are expected to fall back within the next two years. The risk of further COVID variants and ongoing issues related to the Ukraine war issues remains and any further economic detriment and related poverty would further increase the demand on council services, which has not yet fallen back to pre-pandemic levels.

OUTLINE REVENUE FINANCIAL PLAN

109. The Council's agreed financial policy states that "*The Council will make spending decisions based on an assessment of medium to long-term needs and consequences and will seek to avoid taking a short-term outlook in its policy making, service planning and budget setting decisions.*" Historically, the Council has considered and set multi-year budgets. This has assisted in managing extremely difficult financial circumstances and is a demonstration of the value of adopting a longer term approach to financial planning. Whilst it is intended that the Council continues to adopt this longer term approach in future, the lack of multi-year budget information from the Scottish Government has resulted in the Council having to set only a single year budget for 2023/24.

110. The 2023/24 provisional Scottish Council settlement figures were announced on 20 December 2022.

111. The latest local government settlement figures appear slightly more favourable than forecast with a cash increase of £1.5m (0.7%) for East Renfrewshire (after adjusting for new policy commitments) when compared to the equivalent budget for 2022/23. After adjusting for 2023/24 changes in non-domestic rates, however, the year to year position is close to flat cash, which is in line with our forecasts.

112. The impact of the settlement on the Council results in a shortfall for 2023/24 of £18.134m. This is before applying any Council Tax increase.

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

114. Although the Council is not in a position to set a multi-year budget this year, it will continue to plan ahead and prepare three year financial plans as part of the Outcome Delivery Planning process. These will be updated annually to take account of emerging factors such as the UK and Scottish medium term budget plans to be announced in March 2023, or the scheduled revaluation of the Strathclyde Pension Fund to take effect from April 2024.

115. Looking further ahead and taking account of future pay, inflation, capital financing and demand pressures currently foreseen, together with the impact of the reducing scope for mitigating savings pressures by utilising reserves in the coming years, Table 1 below illustrates how varying grant levels could require savings of £1.620m to £15.295m per year from 2024/25 until 2028/29. From 2024/25 onwards the estimated savings requirements have been calculated on the basis that a 3% Council Tax increase is applied each year and no reserves are applied. The savings requirement for 2024/25 is significantly higher than the later years' gaps, mainly because the 2024/25 shortfall includes savings previously deferred by use of reserves. Subsequent gaps reflect continuing rises in the loan charges profile in later years. Assuming annual grant remains broadly flat in cash terms, an average savings gap of £7.569m per year is forecast over the next 5 years. As such, officers must continue to update and develop long term financial plans and options for consideration within our multi-year budgeting approach to ensure that these can be factored into business/service planning, together with workforce and asset plans. The move to multi-year settlements at a national level will assist with this

Table 1

	CASH MOVEMENT 2024/25 ONWARDS			
FORECAST ANNUAL BUDGET GAP	+1%	+0.5%	0% (FLAT CASH)	-0.5%
	£M	£M	£M	£M
2024/25	11.949	13.065	14.180	15.295
2025/26	4.844	5.976	7.097	8.207
2026/27	2.873	4.043	5.189	6.313
2027/28	2.649	5.002	6.161	7.286
2028/29	1.620	4.043	5.219	6.350

116. Whilst the outlook for the 5 years beyond 2023/24 is illustrated in Table 1, our planning will also flag up and take account of any other major longer term issues impacting on financial forecasts over an even longer time horizon. Such items might include future expiry of PFI/PPP contracts, repayments of major tranches of loan charge debt, the move towards a National Care Service or other significant planned legislative change. This will be updated to take account of any proposed changes to local government funding arrangements once the alternative to the current Council Tax is determined.

MITIGATING ACTIONS

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

COMMUNITY PLANNING AND THE COUNCIL'S STRATEGY

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

- **Early Years & Vulnerable Young People**- All children in East Renfrewshire experience a stable and secure childhood and succeed.
- **Learning, Life and Work**- East Renfrewshire residents are healthy and active and have the skills for learning, life and work
- **Environment & Economy** - East Renfrewshire is a thriving, attractive and sustainable place for residents and businesses
- **Safer, Supportive Communities**- East Renfrewshire residents are safe and live in supportive communities
- **Older People & People with Long Term Conditions** - Older people and people with long term conditions in East Renfrewshire are valued; their voices are heard and they enjoy full and positive lives.
- Fairer East Ren, our Local Outcomes Improvement Plan, is part of our Community Plan which is focused on tackling inequality and closing the gap

between communities of place and interest. Fairer East Ren is the main way our Community Planning partners work together to reduce the embedded inequalities in East Renfrewshire, many of which have widened as a result of the COVID pandemic. The Council commissioned research on the impact of the pandemic which was published in early 2022 that allowed a refocussing of work to meet the needs of those most affected by the pandemic. The main challenge currently faced by residents is the cost of living crisis. The Council is co-ordinating a partnership response to the crisis through regular operational meetings. The research and new data emerging from the cost of living crisis will continue to shape the Fairer East Ren plan.

- Our Local Child Poverty Action Report, which we are required to publish annually has been developed as a partnership plan, and was published in 2022. This is linked to Fairer East Ren and focuses resources on taking action to increase income from employment and benefits and reduce the costs of living for families – all three objectives are more pressing given the pandemic impacts on low-income families and those experiencing job loss or reduced hours.
- Four Locality Planning areas have been identified in East Renfrewshire. These communities experience poorer outcomes than other areas across the authority. As pandemic recovery continues, community members from these localities are being supported to co-produce and take ownership of their own locality plans in partnership with council services and other agencies.
- In Neilston a survey is currently being developed by the Steering Group to review local priorities, and in Auchinback the locality plan is currently under review with residents. In Thornliebank engagement and consultation is happening within the communities around the locality planning process.
- We will continue to work together with other council departments and partners to ensure there is an appropriate level of focus on and collaboration with these communities to enable the required changes in how we utilise resources to deliver improvements in local outcomes.

119. We have fully implemented a new Equality and Fairness impact assessment process to ensure we are fulfilling our Fairer Scotland and Equalities and Human Rights duties to consider the impacts of strategic decisions on residents with protected characteristics and those socioeconomically disadvantaged. We are currently reviewing the progress made with our Equality Outcomes through our Mainstreaming Equality and Human Rights Report 2021-2025 through a series of engagement events.

120. The Council's strategy and plans are based on our overall Community Plan and articulate the role of the East Renfrewshire Council family (the Council, the HSCP and the ERCLT) in delivering the Community Plan. The Council's "Vision for the Future" strategy was

approved in February 2020, based on a series of conversations about life in East Renfrewshire over the next 10 years. Whilst the pandemic diverted the attentions of our organisations towards response and recovery throughout 2020 and 2021, the themes of Vision for the Future remain as appropriate as ever, if not even more so.

121. The general theme of Vision for the Future is “connections”, including physical connections across East Renfrewshire via greenspace development; transport connectivity and active travel routes such as cycleways; connections within and between our communities; and also connections between our services and users - these concepts have been brought into sharp focus through the pandemic. It was agreed that the focus going forward will be developing this vision further and aligning it to the Community Plan. Further stakeholder and partnership engagement will be carried out in tandem with processes such as Local Development Planning and wider City Region work, with a particular initial focus on the themes of environment/climate change and building communities.

122. Within “Vision for the Future” our clearly stated vision is to be a “Modern, Ambitious Council creating a Fairer Future with all”. As part of our strategy, we focus on developing our 5 capabilities i.e. prevention, empowering communities, data, modernisation of how we work and digital. We aim to be excellent in each of these capabilities and then use them to redesign our services to make them more effective and more efficient.

123. These capabilities have formed the basis of our transformation programme in recent years. The many service improvements and savings that the council has achieved have been enabled by the 5 capabilities and these capabilities will continue to drive improvement in the future, focussing on customer experience, our business systems and processes and capitalising on the use of Office 365 capabilities to enhance the productivity of our workforce.

DIGITAL TRANSFORMATION

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

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

126. Whilst significant savings have already been achieved, the very difficult financial circumstances facing councils are expected to continue for the foreseeable future so the

scale of change will need to be maintained. In June 2022, Cabinet considered an [update](#) on our Digital Transformation Programme.

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

- Continuing to implement our Digital Transformation Strategy, with a focus on customer experience, streamlined end to end systems and processes and greater use of Office365 capabilities for productivity
- An increased focus on user engagement in service design and more community empowerment to provide services which put customers at the heart of provision, improving services and potentially lowering costs
- Improving the sharing and management of data across the organisation

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

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

- a regular drawdown from modernisation fund (£1m plus any underspend from previous years);
- recharges to Capital;
- a small number of revenue-funded posts including Programme Management Office;
- drawdown from HRA, IJB and ERCLT reserves as required;
- departmental revenue budget “top slicing”, which may be required in future years as Modernisation Fund resources deplete.

130. The modernisation reserve was created in 2014 to fund change projects across the Council. In the early days the fund was topped up annually from underspend at year end. However in recent years, there has been little opportunity to top up so the fund has been declining in value. The budget process for 2024/25 will need to address this issue or the Council will be unable to resource digital transformation beyond that period.

PARTNERSHIP WORKING

131. The Council has already benefitted from joint working with other bodies in providing services and has delivered savings through the early adoption of integrated management of health and social care services in 2006, the establishment of the Integration Joint Board in June 2015 and through initiatives such as sharing Renfrewshire Council's Non Domestic

Rates system and participation in the Clyde Valley Waste project. Joint working with our partners in the Glasgow City Region area now also extends beyond economic development and regeneration projects into education, transport and other initiatives.

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

SERVICE REDUCTIONS

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

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

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

INCOME GENERATION

Council Tax

135. In 2023/24 Councils are free to increase Council Tax as they wish, without any Government imposed sanctions or caps. A 1% Council Tax increase in 2023/24 would provide additional income of around £0.632m for the Council. It is unknown whether future grant settlements will reimpose a cap on increases.

Charging For Services

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

USE OF RESERVES

137. Audit Scotland have noted that in 2021/22 the level of usable reserves was relatively high in many Scottish Councils by the end of that year. This is largely due to substantial COVID grant allocations paid to Councils in March 2021 to cover COVID pressures in the coming years. Forecast levels of this Council's usable reserves, including graphical illustrations of trends, are considered as part of the Revenue Estimates report later on this agenda.

138. The Council's Reserves Policy sets out how its reserves will be governed. The policy was last updated in February 2021. Due to the Council's prudent long term approach to financial planning, a range of reserves has been built up over a number of years to assist with expected and unexpected pressures. Should a budget gap remain after the application of savings measures and income generation the Council may consider the short term measure of drawing down on some of these reserves.

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

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

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

141. The Council forecasts holding routine unallocated General Reserves of £7.959m (2.76%) as at 31 March 2023. The Council’s normal aim is ideally to hold 4% of our revenue budget as a general reserve. Auditors broadly consider reserves of between 2 and 4% to be prudent. Should it be decided to meet any of the gap from reserves in 2023/24, these would have to apply only to one off items or the savings would simply be deferred to future years. Should members wish to utilise reserves to help balance the budget in the short term, it is recommended that this should be done with a view to transitioning to a more sustainable financial basis in future years, with reserves used as far as possible only to cover one off or short term spending pressures or where recurrent savings are expected to be identified in the near future or for the following year.

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

Future Workplan

143. Accountancy staff have been reviewing financial pressures and funding levels for the coming year and outline budget proposals for 2023/24 are contained later on today’s agenda for approval. Work will continue in updating budget scenarios for the period to 2029 with a view to continuing with multi-year budget planning in future.

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

Plan	Approval
Financial Plan 2023/2029	Council, March 2023
Capital Investment Strategy	Council, March 2023
10 year Capital Plan 2023/2033	Council, March 2023
Reserves Policy	Council, February 2024

Revenue Budget 2023/24	Council, March 2023
ODP 2023/24 (including 3 year draft budget figures)	Council, June 2023
Financial Plan 2024/2030	Council, February 2024
3 Year Revenue Budget 2024/27	Council, February 2024

CONCLUSIONS

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

RECOMMENDATIONS

146. It is recommended that the Council: -

- (i) notes the continuing budget pressures anticipated in the next 6 years and the mitigating actions proposed; and
- (ii) approves the draft Outline Revenue Financial Plan 2023 – 2029

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

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

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