

To: Council

On: 9 May 2024

Report by: Director of Finance and Resources

Heading: Revenue and Capital Budget Update 2024/25

1. Summary

- 1.1. On 29 February 2024, the Council set its revenue budget for 2024/25. On that day, the Band D Council Tax level was set for 2024/25 and a Budget Motion was approved. The Scottish Government passed the final stage of its 2024/25 budget on 28 February 2024. This report provides Members with an update to the Revenue Budget 2024/25 following these additional changes.
- 1.2. Appendix 1 outlines the consequential in-year approved Revenue Budget 2024/25 for each service by cost type.

2. Recommendations

- 2.1 Members are asked:
 - to note the report, which reflects the impact of decisions taken by the Council on 29 February 2024 and changes relating to the final Scottish Budget.
 - to note the update outlined in section 7 in relation to the Paisley Grammar School Community Campus project, and agree an increased capital budget of £85.5m funded through increased LEIP funding and additional Council revenue funding of £0.2m per annum. Further note the risk to the suggested funding arrangements until Scottish Ministers formally agree the LEIP Phase 2 funding position as recommended by the LEIP Board and COSLA.

3. Revenue Budget 2024/25: Council Tax

- 3.1 At its meeting on 29 February 2024, the Council agreed to freeze Council Tax for 2024/25. This triggered compensatory funding from the Scottish Government to Renfrewshire Council of £4.897m. There is no change to any Council Tax band charge for 2024/25.

4. Revenue Budget 2024/25: Budget Motion

- 4.1 A number of initiatives were outlined in the Budget Motion on 29 February 2024, which amounted to an additional £2.025m of non-recurring (one-off) spend planned for financial year 2024/25, as follows:

Description	Budget 2024/25 £000
Fairer Renfrewshire Funding initiatives	455
Top-up funding to the Scottish Welfare Fund	400
Support for £50 Winter School Clothing payment	300
Continuation of Environment and Place programme	250
Continuation of Environmental Task Force	200
Partnerships with Cultural Bodies	200
Planning Enforcement Officer (2 years)	120
Development of Oakshaw Heritage Trail	50
Support for the School Music Service	25
Public Litter Bin replacement programme	25
Total	2,025
Funded by:	
One-off use of reserves from Welfare Reform Fund	700
One-off use of Financial Sustainability Fund	1,325
Total	2,025

- 4.2 On 29 February 2024, the Scottish Government released Local Government Finance Circular 2/2024. The circular noted a change to the funding for Teacher Numbers, which has been switched from general revenue funding to specific grant funding. This comes with specific conditions that must be met in order to receive the £4.801m allocated to Renfrewshire Council.
- 4.3 On 7 March 2024, following the UK Spring Budget, the Deputy First Minister wrote to all local authorities confirming that additional funding of £62.7m nationally would be baselined and distributed to those councils who decided to freeze council tax levels for 2024/25. While individual council allocations have not yet been confirmed, the assumed distribution is noted in the table at 4.4 below.

- 4.4 The following table was presented as Table 5 in the report to Council on 29 February 2024 with draft figures before the above decisions were taken. It is now updated here to reflect the impact of the use of reserves and the additional planned expenditure.

Budget Overview 2024/25	Draft Budget £000	Revised Budget £000	Movement £000
Total Government Grant advised ¹	427,174	427,174	0
Council Tax Income	110,304	110,304	0
Council Tax / Community Charge Arrears	500	500	0
Council Tax Freeze funding confirmed	0	4,897	4,897
Assumed share of £62.7m additional settlement ²	0	2,088	2,088
Total Income	537,978	544,963	6,985
Less: Estimated Spending need (recurring)	(547,262)	(547,262)	0
Recurring Budget (Deficit) / Surplus	(9,284)	(2,299)	6,985
Less: Estimated Spending need (non-recurring)	0	(2,025)	(2,025)
One-off use of Reserves	0	4,324	4,324
In-Year Budget (Deficit) / Surplus	(9,284)	0	9,284

1. Includes assumed share of Teacher Numbers specific grant of £4.801m not yet confirmed

2. Figures are indicated but not yet confirmed by the Scottish Government

5. Resource Allocations

- 5.1 Appendix 1 attached summarises the budget allocation for each service. This is the in-year position, and includes the total spending need, both recurring and non-recurring. This is shown both as a subjective analysis (what the budget is spent on) and an objective analysis (what service the budget is spent in).
- 5.2 Budgets are subject to adjustment during the financial year to reflect allocations to services of inflationary budgets, held at the outset within Miscellaneous Services. During the financial year policy boards will be asked to approve permanent virements that fall outside the delegation of Directors, in accordance with the Financial Regulations.
- 5.3 In addition, members should note that there will be in-year costs associated with the opening and early operation of the new Renfrew Bridge which will be incurred in the later half of the financial year. The full year costs will be incorporated into Council base revenue budgets from 2025/26, however it is estimated that up to £0.6m may be incurred in 2024/25, predominantly related to staff who will be employed to operate the bridge. This cost will be funded from ringfenced reserve balances and will be in addition to the £4.324m detailed in the table above.

6. Capital Budget 2024/25

6.1 When the General Services Capital Programme was presented to Council on 29 February 2024, there was £2.0m uncommitted in the Strategic Asset Management Fund (Corporate Projects). The Council then committed this sum as follows:

- Roads Maintenance programme £1.000m;
- Sports facilities £0.800m;
- Community Halls £0.130m; and
- Retail Improvement Fund £0.070m.

The following table provides an update to the 2024/25 Capital plan.

General Services Capital Programme 2024/25	Draft Plan £000	Revised Plan £000	Movement £000
Schools and Early Years Investment	55,893	55,893	0
Leisure Estate	1,000	1,930	930
Environment and Infrastructure	10,883	11,883	1,000
Economic Development	21,720	21,720	0
City Deal	46,046	46,046	0
Corporate Projects	11,637	9,707	(1,930)
Private Sector Housing Grant	644	644	0
Total General Services Programme	147,823	147,823	0

7. Paisley Grammar School Community Campus

7.1 The Council previously approved a new Paisley Grammar School and Community Campus (PGSCC) on Renfrew Road to replace the existing Paisley Grammar School on Glasgow Road. As reported to the Education and Children's Services Policy Board in November 2023, the anticipated cost of delivering the project was £74.8m with a completion date of Summer 2026.

7.2 The Board were also advised that the approved capital budget of £75M was at risk with developing forecasts in the range of circa £75M to £80M inclusive of Value Engineering (VE) options instructed reflecting uncertainty in relation to the volatility and uncertainty in the construction market at that time.

7.3 Growing inflationary pressures in relation to the schools' construction market continue to be prevalent on a national scale which has directly impacted the PGSCC project. The officer PGSCC Governance Board has considered the ongoing budgetary issues with reference to a report issued by COSLA advising that selected Scottish Futures Trust LEIP funded projects (those that reached financial close by December 2023) would be receiving an 11% uplift to the base square metre funding provision in response to market conditions.

The LEIP Board have now agreed and recommended to Scottish Ministers that an equivalent uplift is applied to all Phase 2 LEIP projects (including PGSCC), however there is as yet no confirmed timescale for Scottish Ministers to approve this position. Members have been advised previously that in the absence of additional government funding, the Council may require to allocate increased capital resource to the project, which may also increase ongoing revenue costs should any Council contribution be funded through prudential borrowing.

7.4 Morrison Construction has been appointed by Renfrewshire Council to provide pre-construction advice to the design team on buildability, commercial viability of emerging design concepts and to competitively tender Sub-Contract work packages to build up the overall project cost. Upon successful completion of this process, Morrison Construction will be contracted to act as Principal Contractor for the construction phase. The project has been split into 57 sub-contract work packages which has been tendered through Morrison Construction's supply chain. Returns from this tender exercise have now been received and they indicate a higher level of cost increase than had been anticipated due to a range of issues, including inflationary materials costs, a limited number of suppliers bidding for work, and difficulty securing skilled labour. This position is consistent with the view of SFT who recently published a cost review briefing for projects which reached financial close by December 2023 which outlined the following issues as being key contributors to the market volatility:

- multiple contractors were reviewing their focus on public sector projects given the financial challenges facing local authorities;
- materials inflation is expected to drop to 3-4%, but prices remain high for products which are energy intensive, due to high energy costs – glass, cladding and steel; Mechanical Electrical and Plant (MEP) prices remain high
- labour shortages have taken over from materials costs as the main source of tender inflation; workforce availability is continuing to be an issue with high cost of living and cultural change proving a challenge. Work/life balance means a 4-day working week is common and there is limited appetite for overtime working or travel
- preference for Passivhaus accreditation remains strong across LEIP projects due to the defined energy target and in response to the Outcomes Based Funding (OBF) model. Main contractors noted a premium for Passivhaus of between 5-25% although those at the lower end of the scale did note a number of large sub-contractors are losing money on projects, so it is difficult to determine the true cost. Subcontractors remain vulnerable to market conditions and borrowing rates - which are being passed on to project cost.

7.5 Officers from the Council's corporate procurement team have reviewed the tender process conducted by Morrisons and have confirmed the process used is appropriate. Technical officers within property services are also checking (assisted by external cost consultants) the returns received to ensure they are appropriate, are securing best value and will meet the Council's requirements. Returns for packages are generally more expensive than had been forecast, in some cases substantially so, but are on average circa 20% higher than the cost plan allowance.

- 7.6 This additional cost will result in an additional cost to the project in the order of £10m, with a revised budget of £85.5m now being recommended as being appropriate for the project to progress. This revised budget retains a risk allowance of 7.5% (excluding fees) for the project which is viewed as appropriate at this stage.
- 7.7 The existing budget of £75.1m is based on the existing offer from SFT in relation to their revenue funding model ie before the 11% uplift mentioned above has been factored in. Indicative figures have been provided by SFT detailing what a revised offer would contain assuming this is formally approved by Scottish Ministers. The uplift in these indicative figures would allow for an increased level of borrowing support over the next 25 years which would fund an additional £6m of capital spend. The balance of £4m in the additional £10 million of capital funding required would need to be included within the Council's loans charges financial planning arrangements, at an estimated cost of £0.2 per annum assuming a 50 year life.
- 7.8 In the event Scottish Ministers do not agree the recommendations in relation to the proposed funding uplift, a further report to members will be provided outlining the financial implications for the Council.

Implications of the Report

1. **Financial** - The report and appendix provide background information on the 2024/25 budget, identifying an in-year break-even position, after the agreed use of reserves. The report also outlines an increased capital funding requirement for the Paisley Grammar School Community Campus project of £10.4m, which will result in increased borrowing costs for the Council estimated at 0.5m per annum, £0.3m of which will be funded through an increase LEIP revenue allocation.
2. **HR & Organisational Development** – none arising directly from this report.
3. **Community/Council Planning** – none arising directly from this report.
4. **Legal** – the Council has a statutory duty to approve a balanced budget each year.
5. **Property/Assets** – the report updates members with regards a key schools investment project which will be delivered to Passivhaus energy efficiency standards, replacing a heritage school building; improving the overall energy efficiency of the school estate and delivering an improved learning environment.
6. **Information Technology** - none arising directly from this report.
7. **Equality & Human Rights** - none arising directly from this report.
8. **Health & Safety** - none arising directly from this report.
9. **Procurement** – none arising directly from this report.

10. **Risk** – there is a risk that the Council’s spending needs are not financially sustainable if the use of one-off reserves to balance the budget is a recurring feature over the longer term. The revised capital budget for PGSCC maintains an appropriate level of risk contingency allowance.
11. **Privacy Impact** - none arising directly from this report.
12. **Cosla Policy Position** – none arising directly from this report.
13. **Climate Risk** – the new PGSCC will be delivered in line with Passivhaus energy efficiency standards, improving the overall energy efficiency of the school estate and supporting the Council’s net zero aspirations.

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