
Report To:	Policy & Resources Committee	Date:	13 August 2024
Report By:	Chief Financial Officer	Report No:	FIN/45/24/AP
Contact Officer:	Alan Puckrin	Contact No:	01475 712090
Subject:	2024/25 Budget Update		

1.0 PURPOSE AND SUMMARY

- 1.1 For Decision For Information/Noting
- 1.2 The purpose of this report is to provide an initial update on the position of the 2024/25 Budget, highlight new pressures not factored into the approved budget and CMT recommendations as to next steps.
- 1.3 The 2024/25 Revenue Budget was approved on 29 February 2024. At the same time proposals to balance the 2025/26 Budget were approved with formal approval of the 2025/26 Budget and Council tax scheduled for February/March 2025.
- 1.4 The 2023/24 unaudited accounts show an overspend of £545,000 and an unallocated General Fund Reserve of £4.4 million, £0.4million greater than the recommended minimum. There is currently a shortfall in the 2024/25 pay inflation allowance plus a potential shortfall against the employee turnover target and a number of identified service specific budget pressures which will be reported in more detail in the first strategic committee budget reports.
- 1.5 The CMT has been considering a prudent approach to address any potential overspend in the context of the limited level of unallocated reserves and the potential knock-on impact into the 2025/26 Budget and would recommend that action is taken over coming weeks and months to develop proposals which would have a limited impact on service delivery for elected members to consider later this calendar year.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that the Committee note the potential 2024/25 Budget pressures identified in this report and the proposals from the CMT.
- 2.2 It is recommended the Committee agree to delegate to the Chief Executive the progression of targeted Voluntary Early Release trawls to assist in the development of savings proposals to address the recurring impact from 2025/26 on the understanding that the focus will be on service redesigns with limited impact on service delivery and that, no employee would be released without the agreement of the Committee/Council.

Alan Puckrin
Chief Financial Officer

3.0 BACKGROUND AND CONTEXT

- 3.1 The 2024/25 Revenue Budget was approved on 29 February 2024. At the same time proposals to balance the 2025/26 Budget were approved with formal approval of the 2025/26 Budget and Council tax scheduled for February/March 2025.
- 3.2 The approved budgets assumed a time limited use of reserves of between £2.6-2.9million per year over 2024/26 and assumed the delivery of £2.935million of Savings Workstreams, the detail of approximately £1.1million of which remains to be identified and delivered.
- 3.3 The 2023/24 unaudited accounts showed a £0.545million Revenue Budget overspend which is the first overspend for well over 10 years. The main contributor to the overspend were specific pressures within Education Services, the full extent of which emerged after the 2024/25 Budget was approved.
- 3.4 The above, allied to a known shortfall in the 2024/25 pay inflation allowance based on the currently rejected pay offers, plus early indications of a potential shortfall against the employee turnover savings target, require to be highlighted to Committee and thereafter consideration given as to how these pressures could be addressed.
- 3.5 There are expected to be announcements in coming months at a UK/Scottish level which may provide increased resources to Local Government. However, in the absence of both dates and detail then the prudent approach is to assume that there will be no new unearmarked funding allocated to the Council in 2024/25.

3.6 Pressures

Whilst work is continuing to more accurately quantify the potential pressures, Committee are advised of the following:

- 2024/25 Pay-award: The approved 2024/25 budget allowed for a 3.0% pay-award. The current offer of 3.2% has been rejected by the SJC and teaching trades unions. A 1% uplift in pay equates to over £1.2million and therefore the current rejected offer results in a £0.25million funding shortfall in 2024/25.
- Employee Turnover: The 2024/25 employee turnover budget is £3.043million. In 2023/24, ignoring strike savings and one-off employee related grant income, the Council achieved £2.7million. Projections at 30 June indicate turnover could be approximately £2.8 million in 2024/25 resulting in an estimated shortfall of £0.25 million.
- Committee Pressures: There are known pressures such as ASN transport and Winter Maintenance which are being currently funded in the short term via time limited smoothing reserves, however initial projections at 30 June, backed up by 2023/24 out-turns indicate other service committee projected overspends of the order of £0.6million. These will be firmed up and reported to the relevant committees in the first cycle of Revenue Budget reports.

In total therefore the current potential pressures total £1.1 million and if the resolution of the 2024/25 pay award requires further sums funded by the Council, then this sum could increase substantially. Given the lead in time for approval of savings then the recommendation from the CMT is that some decisions are required at this stage in the financial year.

3.7 The level of unallocated reserves at 31 March 2024 were £0.4million above the recommended minimum level of £4.0 million. As such there is a strong possibility that action will be required during 2024/25 to either free up earmarked reserves and/or to generate part year savings to address these pressures for 2024/25. Additionally, due to the level of reserves already factored into the 2025/26 Budget, recurring savings/increased income will be required no later than February 2025 to address these pressures from 2025/26 onwards.

4.0 PROPOSALS

4.1 The Corporate Management Team have considered the pressures outlined above and advise that this situation is unlikely to be able to be managed as previously i.e.: within the “corporate bottom line” without specific action being taken by budget holding committees. Whilst an element of the identified pressures requires to be addressed by the relevant committee, others, such as the pay-award shortfall and employee turnover shortfalls, are recommended to require a Council wide approach.

4.2 There is always the likelihood that one-off windfall opportunities will arise during the year to offset any new pressures and that would certainly assist for 2024/25, however as the pressures identified are largely recurring, recurring solutions are needed to reduce costs. To achieve this, the CMT are requesting that, in line with current approvals around the delivery of Delivering Differently and Workstreams, delegated authority is granted to the Chief Executive to progress targeted Voluntary Early Release (VER) trawls to inform potential saving proposals, which would focus on service redesign and have limited impacts on service delivery. It is intended that these proposals will be presented to elected members for consideration later this year.

4.3 The outstanding savings workstreams also require clarity as to how they will be achieved with £0.11 million due for delivery in 2024/25 but more importantly a further £1.02million due for delivery in 2025/26. The CMT are considering proposals for each workstream over coming weeks and will provide a fuller update of next steps for each workstream at the next meeting.

4.4 The June Finance Strategy update identified the need for all Funding Models to be reviewed along with a review of reserves prior to the December update. This exercise will assist with the matters raised in this report.

5.0 IMPLICATIONS

5.1 The table below shows whether risks and implications apply if the recommendations are agreed:

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

5.2 Finance

Whilst there are no specific financial implications arising from this report at this time, actions with financial implications will require to be considered by the Committee and Full Council later in 2024 to address the matters raised.

One off Costs

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

Annually Recurring Costs/ (Savings)

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

5.3 Legal/Risk

The financial pressures on the Council and the potential impact on service delivery are highlighted within the Corporate Risk Register.

5.4 Human Resources

The Committee approved enhanced early release criteria to cover the 2024/26 Budget period therefore any new releases during the 2024/26 Budget period will benefit from the improved release terms. Discussions on the overall position and the need for savings are on-going with the Trades Unions via the JBG.

5.5 Strategic

Depending on the actions ultimately approved there may be impacts on the strategic priorities of the Council however any proposals will focus on areas which have limited impact on the priorities in the Corporate Plan.

5.6 Equalities, Fairer Scotland Duty & Children/Young People

There are no equalities issued arising from this report but as proposals to bring the 2024/26 back into equilibrium are developed then officers will progress the relevant Equality Impact Assessment and other assessments.

6.0 CONSULTATION

6.1 The CMT, Strategic Leadership Forum and Joint Budget Group have been consulted on the contents of this report.

7.0 BACKGROUND PAPERS

7.1 None.