
Report To:	Policy & Resources Committee	Date:	17 September 2024
Report By:	Chief Financial Officer	Report No:	55/24/AP/LA
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Subject:	2025/26 Budget Update		

1.0 PURPOSE AND SUMMARY

- 1.1 For Decision For Information/Noting
- 1.2 The purpose of this report is to update the Committee on the action being progressed by the CMT in relation to addressing the emerging financial pressures reported to the August meeting and to seek decisions in order that matters can be progressed further.
- 1.3 The 2024/25 Revenue Budget Update report earlier in the agenda shows a projected deficit of £1.2 million which would result in an £0.8million shortfall against the £4.0million minimum level of unallocated reserves by 31 March 2025.
- 1.4 The CMT have been developing a number of savings with limited impact on service delivery in order to offset these emerging pressures as part of the 2025/26 Budget. As part of this several VER trawls have been undertaken in the last month with the outcome will be discussed with Trades Unions via the Joint Budget Group (JBG).
- 1.5 In line with practice since 2014, elected member review of budget proposals prepared by officers will take place via the Members Budget Working Group with the initial meeting having taken place prior to the issuing of this report.
- 1.6 In order that savings can be delivered as early as possible in 2025/26, it is proposed that the Committee supports the need for some savings decisions to be taken by the Council in December.
- 1.7 In the last month both the UK and Scottish Governments have been flagging up the fiscal challenges they face and emphasising that difficult decisions lie ahead. This will impact on the Council and as such, the medium term assumptions in the Council's Financial Strategy could be viewed as optimistic.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that the Committee notes that officers are finalising savings proposals to be thereafter considered by elected members in order to address the new pressures on the 2025/26 Budget.

- 2.2 It is recommended that the Committee confirms the need to review reserves as part of the preparation of the December Financial Strategy to address the projected shortfall in the minimum balance in the unallocated reserve and improve the medium-term sustainability of several funding models.
- 2.3 It is recommended that the Committee supports the proposal that, in order to maximise the impact in 2025/26, the Council considers the savings proposals during December.
- 2.4 It is recommended that the Committee note the planned consultation approach as set out in section 6 of the report.

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. 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.
- 3.2 The 2024/25 Revenue Budget Update report earlier in the agenda shows a projected deficit of £1.2 million which would result in an £0.8million shortfall against the £4.0million minimum level of unallocated reserves by 31 March 2025.
- 3.3 The August meeting of the Committee was given early notice of emerging expenditure pressures and that the CMT were developing proposals with limited impact on service delivery for consideration by elected members in advance of the finalisation of the 2025/26 Budget. To facilitate the development of savings, delegated authority was granted to the Chief Executive to progress targeted Voluntary Early Release (VER) trawls.
- 3.4 In addition, the Council has already noted the need to review of reserves as part of the consideration of the June Finance Strategy and this exercise takes on a sharper focus given the projected shortfall in the minimum level of unallocated reserves.

3.5 UK and Scottish Government Financial Pressures

The new UK Government has been outlining the financial challenges faced by the country and indicating that difficult choices lie ahead. Increased clarity on what this means for the public sector and local government is expected to be received on 30 October when the Autumn Budget including the 2025/26 Spending Review is due to take place. Some Barnett consequentialities are expected for Scotland relating to the announced pay awards but these will not be known until the October Budget. The Committee are also asked to note that the onward allocation of any consequentialities will be a matter for the Scottish Government.

- 3.6 The Scottish Government have similarly flagged up the significant financial pressures faced both in-year (2024/25) and from 2025/26 onwards. The decisions taken to fund the Scottish Government's £77.5 million contribution to the 2024/25 Local Government employees pay award have attracted publicity and highlight the nature of the difficult decisions which potentially lie ahead. The Cabinet Secretary has introduced emergency spending controls including advice that new projects in 2024/25 will only proceed if "truly essential and unavoidable".
- 3.7 On 27 August the Scottish Fiscal Commission issued a Fiscal Update to support the Scottish Parliament with its pre-Budget scrutiny process by highlighting developments to date and implications for the Scottish Budget. On 3 September the Cabinet Secretary made an announcement regarding closing a potential £500m budget shortfall within the Scottish Government's 2024/25 Budget. The announcement outlined a number of recurring and one-off proposals to ensure the 2024/25 Budget remains in balance and to reduce the pressure on the 2025/26 Budget. Additionally, the Cabinet Secretary gave an indicative 2025/26 Budget announcement date of 4 December 2024.
- 3.8 The above would indicate that it is unlikely there will be any reduction in the financial challenges which face the Council in the medium term. Given the already relatively high use of reserves to either defer the impact of savings or balance the overall budget, then decisions will be required in coming months to address the identified new funding pressures on a recurring basis.

4.0 PROPOSALS

- 4.1 The CMT are developing new savings proposals totalling approximately £0.7 million in addition to developing the detail of how the Management and Digital Workstream saving targets of £0.3 million could be delivered. To inform the development of these savings 6 targeted VER trawls have been progressed and the results will be analysed and discussed with the Trades Unions via the Joint Budget Group.
- 4.2 Engagement with Elected Members on budgetary matters has previously proven to be extremely helpful and the MBWG have recommenced.
- 4.3 Whilst none of the savings being developed will have a significant impact on service delivery, there are a number where service user/public consultation is required and the consultation proposals are outlined in section 6 below.
- 4.4 To ensure that savings can be delivered in time to help balance the 2025/26 Budget, it is proposed that Committee agrees that decisions on new savings are taken by the Council in December.

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

At this stage there are no financial implications arising from decisions sought however the report highlights the need for action to be agreed by elected members prior to the end of the calendar year.

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

There are no legal issues arising from this report. The sustainability of the current levels of service delivery given the budget pressures on the Council is highlighted as one of the main risks facing the Council and as such, the new pressures on the 2025/26 Budget require to be addressed.

5.4 Human Resources

There are no HR implications for now however, consultation and discussions continue with the Trades Unions at the Joint Budget Group, and the Chief Executive communicates directly with all employees via regular Budget updates.

5.5 Strategic

There are no strategic implications arising from the decisions sought in this report but decisions are likely to be required in the near future which may impact on aspects of the Corporate Plan.

6.0 CONSULTATION

- 6.1 Targeted consultation will take place in relation to proposed Budget savings. It is not anticipated that any of the proposed savings will have a significant impact on service delivery however this engagement will include external service users. This feedback will inform the detailed budget savings sheets and Equality Impact Assessments. This public engagement is in addition to consultation with Trades Unions.

7.0 BACKGROUND PAPERS

- 7.1 Scottish Fiscal Commission – Fiscal Update August 2024