
Report To:	Policy & Resources Committee	Date:	19 November 2024
Report By:	Chief Financial Officer	Report No:	FIN/68/24/AP/LA
Contact Officer:	Alan Puckrin	Contact No:	01475 712090
Subject:	2025/26 Revenue Budget Update		

1.0 PURPOSE AND SUMMARY

- 1.1 For Decision For Information/Noting
- 1.2 The purpose of this report is to provide the Committee with an update on the 2025/26 Budget, including latest timelines, progress with savings workstreams delivery and emerging pressures. Thereafter, several decisions are sought.
- 1.3 Progress continues to be made by the CMT in developing savings/workstreams and discussing these with the Joint Budget Group (JBG), Members Budget Working Group (MBWG), Programme Board whilst analysing the results of any Voluntary Early Release (VER) trawls.
- 1.4 A number of these savings proposals are aligned to existing savings workstreams and the latest update on the overall Programme is attached at appendix 1. The appendix includes the proposed addition of two new workstreams and seeks approval to use £139,000 of the contingency.
- 1.5 In addition to quantifying the previously reported new service committee budget pressures, the report also flags up two other matters linked to the Chancellors Statement in late October and the Scottish Budget announcement in early December, which could add further pressure on the 2025/26 Budget.
- 1.6 Previously officers had indicated an aspiration to hold a special Council meeting in the week before the festive break to allow members to approve savings thus optimising savings delivery in 2025/26. Given the timing of the detailed Council grant settlement and the potentially downside risks facing the 2025/26 budget, it is now intended to hold an All Member Briefing the same week and delay the Council meeting to early 2025.
- 1.7 Hector McNeil House is due to close early 2025 and this will require the voluntary early release of some cleaning employees within the same timescale. Approval for officers to progress these releases is sought.
- 1.8 At present there is only limited new public consultation planned in relation to the 2025/26 Budget as outlined in appendix 2.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that the Committee approve the addition of a £700,000 pressures allowance to the 2025/26 Budget based on the latest monitoring reports.
- 2.2 It is recommended that the Committee note the updated projections and phasing relating to the savings workstreams in appendix 1 and agree to the addition of a teachers workstream and schools catering workstream to the overall workstream programme plus the utilisation of £139,000 of the contingency to fund two projected workstream shortfalls.
- 2.3 It is recommended that the Committee notes that the CMT/MBWG have undertaken a review of earmarked reserves and this will be reported to the elected members as part of future Budget update reports.
- 2.4 It is recommended that the Committee note the potential significant new 2025/26 budget pressure arising from the potential reduction in protection from the Floor and that, at this time, it is being assumed that the increase in employers' national insurance announced by the Chancellor on 30 October will be fully funded via Barnett Consequentials and will be passported to Local Government by the Scottish Government.
- 2.5 It is recommended that Committee note that the intended special meeting of the Inverclyde Council planned for 19 December will no longer takes place due to the limited time for officers to analyse the detail of the Council's grant settlement whilst allowing sufficient time for elected members to arrive at the potentially important decisions required.
- 2.6 It is recommended that Committee note that an All-Member briefing will take place week commencing 16 December covering the settlement and officers' initial assessment of implications.
- 2.7 It is recommended that Committee delegate authority to the Chief Executive to release sufficient cleaning employees to deliver the saving required as part of the closure of Hector McNeil House in early 2025 on the basis that the releases meet the Council's value for money criteria.
- 2.8 It is recommended that the Committee note the limited Budget consultation approach planned as set out in appendix 2.

Alan Puckrin
Chief Financial Officer

3.0 BACKGROUND AND CONTEXT

3.1 The Committee were previously advised that the Corporate Management Team (CMT) were developing around £0.7-0.8 million of new 2025/26 saving proposals with limited impact on service delivery to address several pressures identified during 2024/25.

3.2 In addition to the development of new savings proposals there have been several other budget related developments/updates which are covered in more detail below.

3.3 Savings Proposals

The CMT have developed savings proposals which would deliver an overall saving of £1.25m by 2026/27 of which £208,000 relate to existing workstreams, £780,000 relate to new workstreams or increases to existing workstreams and the remaining balance of £269,000 relating to specific savings proposals.

3.4 Savings sheets in the usual format have been developed where appropriate and are being discussed with the Trades Unions at the Joint Budget Group (JBG) and the Members Budget Working Group (MBWG). Those savings sheets which relate to workstreams or service reviews are also being discussed at the Programme Board.

3.5 Voluntary Early Release (VER) trawls have been undertaken and the results are being processed based on figures obtained from the Pension Fund Office. Once analysed, draft offers will be issued to employees, with releases following on from savings decisions by elected members.

3.6 Budget pressures

The Committee are aware that there are several recurring budget pressures in the 2024/25 Budget and whilst steps are being taken at committee level to address some of these, the CMT assess that around £0.7million require to be addressed at a corporate level.

3.7 This will require the approval of a £0.7million pressures allowance for 2025/26 and, if agreed, a proposed allocation of this allowance will be submitted to a Council meeting as part of a Budget Update report.

3.8 Savings workstreams

Elected members approved a savings workstream programme which formed a high proportion of the planned savings in 2025/26. At the time the 2024/26 Budget was approved the target to be achieved by 31 March 2026 was £2.89 million. This was increased by a further £45,000 Procurement saving target in June 2024.

3.9 An update on the overall programme was presented to the Programme Board on 22 October and this included two new proposed workstreams; Teachers and School Catering, plus reflected a further increase in the Procurement workstream target. The latest savings workstream position is shown in appendix 1 and the savings required by 31 March 2026 now total £3.43 million.

3.10 Within the asset management workstream is the saving arising from the closure and demolition of Hector McNeil House. Part of this saving arises from a net reduction in office cleaning requirements between Hector McNeil House and the reopened the James Watt Building. A VER trawl has been completed and, to deliver the saving from early 2025, the report seeks delegated authority for the Chief Executive to release the required number of cleaning employees.

3.11 Review of Reserves

In line with previous years, the CMT have undertaken a review of earmarked reserves and reported this along with identified pressures to the MBWG. Decisions on the use of reserves will be taken as part of the 2025/26 Budget starting with the 5 December Finance Strategy report.

3.12 **UK and Scottish Budget update**

There has been a large amount of press coverage for several months on the assessment of the UK finances by the incoming Government and a clear message regarding the need for tough choices in the short/medium term. The Chancellor delivered her first Autumn statement on 30 October and the key messages were a significant increase in taxes raised, borrowing and a commensurate increase in investment in the public sector. The impact on the Council of the announcements has yet to become clear and will clearly be linked to the Scottish Budget announcement in December.

3.13 At this time the view being advised by Cosla and the UK Government is that the increase in public sector employers' national insurance will be funded by the UK Government and therefore no further budget pressure has been factored into 2025/26 for this issue at this time. It is acknowledged that Scotland has a larger and higher paid public sector workforce and as such, depending on the negotiations between the UK and Scottish Government, there may be a funding gap which may not be known until the UK Government "Spring Supplementary estimates" in February 2025.

3.14 The Cabinet Secretary for Finance has confirmed that the draft Scottish budget will be presented on 4 December but that it will not be until the 12 December that councils will receive their individual settlement details. This latter issue will make it difficult to officers to have sufficient time to examine the detailed impact of settlement and for the Council to have sufficient time to consider savings proposals this side of the festive break.

3.15 **Review of The Floor**

One specific issue which may further increase the pressure on the 2025/26 Budget relates to "The Floor". The Floor is a mechanism introduced by the Scottish Government with support from Cosla in the early 2000s which redistributes funding from those councils receiving above average growth settlements to those receiving below average growth in settlements. The level of protection is determined by the Cabinet Secretary and is currently within a range of (0.25%-0.75%).

3.16 As part of last year's budget discussions, Cosla Leaders requested that officers carry out a review of the operation of the floor and report back prior to the 2025/26 settlement announcement. This report is currently scheduled to be considered by Leaders in late November. Following several years of the Floor being 0.25%, (the greatest protection), last year it was increased to 0.5% whereas the 2025/26 Budget was based on a 0.3% Floor. If it increases further to 0.75% then this is likely to create a further pressure in the 2025/26 Budget of up to £0.8million. This is not expected to be known until 12 December.

4.0 PROPOSALS

4.1 It is proposed that the intended special meeting of the Inverclyde Council planned for 19 December no longer takes place due to the limited time for officers to analyse the detail of the Council's grant settlement, prepare a report whilst allowing sufficient time for elected members to arrive at the potentially important decisions required. Officers now propose to hold an All-Member briefing week commencing 16 December covering the settlement and officers initial assessment of implications.

4.2 It is proposed that an unavoidable pressures allowance of £700,000 be built into the 2025/26 Budget based on the latest monitoring reports and that a decision on the specific pressures to be funded be taken by the Council, early 2025.

- 4.3 It is proposed that the Committee note the updated projections and phasing relating to the savings workstreams in appendix 1 and agree to the inclusion of Teacher and Schools Catering workstreams within the overall workstream programme. Approval is also sought to use £139,000 from the contingency to meet shortfalls in the Management and Digital workstreams.
- 4.4 It is proposed that the Committee notes that the CMT and MBWG have carried out a review of earmarked reserves and that initial recommendations will form part of the 5 December Financial Strategy update to the Council.
- 4.5 It is proposed that the Committee note the assumptions around funding for the Chancellor's announced increase in employers' national insurance and a potential significant new pressure on the 2025/26 Budget arising from any reduction in protection from the Floor. Once the impact is clarified, elected members will require to consider how any increased funding gap is addressed.
- 4.6 Finally, it is proposed that delegated authority be granted to the Chief Executive to release cleaning employees to deliver the saving required as part of the closure of Hector McNeil House in early 2025.

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

Pressure on the 2025/26 Budget is increasing with new pressures in service budgets and a potentially less generous Floor being considered by the Scottish Government.

Once clarification on the Floor and employers' national insurance increase funding is received then elected members will require to consider the options available to bring the 2025/26 Budget back into balance.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
Earmarked Reserves	Early Releases	2024/25	TBC		Cost will depend on the individual calculations for those being released. All subject to the Council's value for money criteria.

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
General Fund	Various	2025/26	£700,000		Pressures allowance for 2025/26.
Workstreams	Management & Digital		£139,000		Met from £300,000 unallocated contingency

5.3 Legal/Risk

Until all the detail of the 2025/26 Budget and settlement is known the risk of unforeseen budget pressures/gaps arising remains. Regular and transparent updates to elected members, JBG and CMT increase the ability for the Council to address these matters.

5.4 Human Resources

Any releases associated with the closure of Hector McNeil House will be managed in line with approved Council policies.

5.5 Strategic

There are no specific strategic matters arising from this report.

6.0 CONSULTATION

6.1 The report has been considered by the CMT and JBG and reviewed by the MBWG.

Given the low number of new savings proposals there is a very limited need for further public consultation. The approach is outlined in the attached note (appendix 2) from the Head of OD, Policy & Communications.

7.0 BACKGROUND PAPERS

7.1 None.

Policy & Resources Committee

Appendix 1

Workstreams Saving Monitoring at 31 October 2024

Saving Title	Chief Officer Update	Approved Saving	Achieved to Date	Projected Saving	Over achievement/ (Shortfall)	Approved Saving	Achieved to Date	Projected Saving	Total Projected Saving	Over achievement/ (Shortfall)	2026/27	Est FTE Impact
		2024/25 £000's	2024/25 £000's	2024/25 £000's	2024/25 £000's	2025/26 £000's	2025/26 £000's	2025/26 £000's	2024/26 £000's	2024/26 £000's	£000's	
Income Generation Original Target £700k	5% increases in fees/charges for both 2024/25 and 2025/26 agreed as part of the 2024/26 Budget. Balance anticipated to come from Inchgreen JV no later than 2025/26	250	245	245	(5)	450	256	455	700	0	0	0.0
Procurement Original target £600k, then £750k , then £805k (to fund Procurement post) now £945k over 24/27 after £140k new target added.	£671k achieved in 2024/25 from the new Residual Waste contract with £80k achieved from the new SWAN contract. This has been phased 50% 24/25 and 50% 25/26 and requires £350k investment from the Budget Delivery emr. CMT have increased the target by £55k in order to help increase capacity within the Procurement Team. Proposal to increase target further developed as part of August 2024 savings exercise by £140k including purchase cards.	710	711	711	1	165	40	164	875	0	70	(1.0)
Energy Original Target £500k , now £850k	£800k reduction in gas/electricity budgets over 2023/26 approved as part of the 2024/26 Budgets. The 2025/26 position will continue to be monitored given the global issues that could impact. A £50k reduction in fuel costs was applied from 2024/25 based on 2023/24 out-turn. Latest projections for 2025/26 confirm target is achievable.	250	250	250	0	600	600	600	850	0	0	0.0
Asset Management Original Target £400k	Initial saving will arise from the demolition of Hector McNeil House as part of the Levelling Up Fund project later in 2024/25. Officers developing a process for the consideration by members of other proposals which will be presented in November.	50	0	0	(50)	350	0	400	400	0	0	tbc
Management Restructure Ph3 Original Target £200k	Development of proposals incorporated within August 2024 savings target. Shortfall projected	0	0	0	0	200	0	96	96	(104)	8	2.0
Digital & Customer Services Original Target £100k	A number of projects delivering service improvements progressing . Updated via regular reports to Policy & Resources Committee. Specific proposals within August 2024 savings . Shortfall projected	20	0	0	(20)	80	0	65	65	(35)	23	2.0
Community Learning & Development- Delivering Differently Review Original Target £180k	Working Group set up now CLD inspection is concluded. Report due late 2024. Initial £40K anticipated to be delivered this year through vacancy management. Trawl undertaken to inform redesign.	40	40	40	0	140	0	140	180	0	0	tbc
Schools Catering Review Original Target £120k	Initial meeting with APSE to discuss review. Scope and cost being developed. To be funded from Budget Delivery Reserve. Looking to commence review early 2025. 2025/26 target can largely be achieved by deleting vacant posts/hours	0	0	0	0	100	0	100	100	0	20	tbc

Teachers Target £520k	Original	Saving sheet prepared on basis of 8 FTE reduction and on the assumption that mitigations will be accepted by the Scottish Government.	0	0	0	0
Over achievement Contingecy Currently £300k		This reflects the fact that targets exceed the overall allowance in the 2024/26 Budget. Any use of this will need approval by the Policy & Resources Committee.	0	0	0	0
Totals			1,320	1,246	1,246	(74)

325	0	325	325	0	195	8.0
(300)	0	(161)	(161)	139	0	0.0
2,110	896	2184	3430	0	316	11.0

Notes

- 1 - Asset Management Target is net of any reinvestment in either capital or recurring spend in remaining buildings.
- 2 - Procurement target increased by £55k to employ an extra procurement officer and £140k increase proposed by CMT as part of 25/26 savings exercise.
- 3- Currently projecting a £74k shortfall in 24/25 and £139k cummulative shortfall by 2025/26. This has reduced the contingency by the same amount.

Proposed Approach to Budget Savings Consultation

Morna Rae

Head of Organisational Development, Policy and Communications

Effective consultation in relation to Budget savings proposals helps:

- to fulfil requirements in relation to Equality Impact Assessments,
- Elected Member decision making, and
- maintain positive relationships with our employees, trade unions and the local community.

It is also an area of interest for external audit and helps evidence Best Value.

In terms of trade union consultation effective arrangements are in place through the Joint Budget Group and supplementary discussions with representatives on specific proposals.

Individual employee engagement has taken place through the trawl process. Input from employees on any planned service redesigns. Updates on the Budget savings process have been provided to all employees by Corporate Communications.

This Budget savings exercise differs from recent years in that the number of proposals are small and service impacts are not anticipated to be significant. Therefore, it would be disproportionate to carry out the same scale of public consultation. For several of the proposals, there is existing consultation information that can be used to inform the decision making process and this is already referenced in the specific equality impact assessments.

The following targeted consultation is proposed:

1. Consultation with service users in relation to the proposed increased charge for Breakfast Clubs, and
2. Consultation with Parent Council Chairs, Headteachers and Pupil Councils on the proposed reduction of 8 teachers.

The feedback will be included in updated detailed budget savings sheets and Equality Impact Assessments.