

BUDGET APPROACH

1. INTRODUCTION

- 1.1 The purpose of this report is to agree a proposed approach to the budget setting process for 2025-26 which includes the formation of a Budget Working Group and to outline a draft high level budget timetable.

2. RECOMMENDATIONS

- 2.1 It is recommended that Council agree:
- a) The approach to the 2025-26 budget as outlined within this report.
 - b) The creation of a Budget Working Group comprising of six Members from the administration, three non-administration Members and two Trade Union representatives.

3. DETAIL**3.1 Budget Outlook**

- 3.1.1 The latest budget outlook was reported to the Policy and Resources Committee on 9 May 2024. The estimated gap for 2025-26 in the mid-range scenario is £8.315m in 2025-26 rising to £23.849m by 2029-30. The estimated budget gap is calculated using a number of assumptions and I consider there to be three areas where a change to the assumptions could have the biggest impact on the estimates:
- Scottish Government Grant – within the mid-range scenario, a 0.5% decrease has been assumed which is similar to the reduction in 2024-25. Every 1% change is circa £1.4m.
 - Council Tax – within the mid-range scenario, a 5% increase has been assumed on the basis that the majority of Councils increased their Council Tax by at least 5% in 2023-24 prior to the freeze in 2024-25. This is an officer assumption, as this is a matter for Council to agree. Every 1% change is circa £600k.
 - Pay Award – within the mid-range scenario, a 2% increase has been assumed. Every 1% change is circa £1.7m.
- 3.1.2 The outcome of the 2024-25 pay award negotiations are being closely monitored as these could impact on the budget agreed for 2024-25 and therefore increase the base budget for 2025-26. The current pay offer, that was rejected by the Trade Unions, would add on a recurring pressure of circa £1.4m over and above what is budgeted.
- 3.1.3 It has to be recognised that the budget outlook is extremely challenging and difficult decisions will be required in order to balance the budget.

3.2 Budget Working Group (BWG)

- 3.2.1 As part of the budget setting process, the last four years have seen the creation of a cross party Budget Working Group (BWG) comprising of six Members from the administration, three non-administration Members and two Trade Union representatives.
- 3.2.2 The BWG previously did not have any decision making powers, it was more a group that engaged with officers on developing budget options and could report and make recommendations to Council.
- 3.2.3 Given the significant budget gap and the positive comments received about the role of previous BWGs, it is recommended that a BWG is established not just for 2025-26 but as a permanent group that continues year on year supporting the budget process.

3.3 Identification of Options to Balance the Budget

- 3.3.1 As previously noted, the budget outlook is extremely challenging and this is made more so by the ring-fenced and directed spend by Scottish Government resulting in the budget where the Council is able to exercise any control being a lot smaller. It is hoped that the Verity House agreement may bring opportunities for the un-ring-fencing of some areas of budget.
- 3.3.2 The default position, when identifying options to balance the budget, should be that any options are recurring in nature. Whilst there are likely to be some one-off savings Members are reminded that agreeing one-off savings simply delays the budget gap by one year.
- 3.3.3 There are four types of options that officers have started working on and the approach is to identify options that are spread over more than one year with the aim of being able to set multi-year budgets in the future. The one-year settlements from Scottish Government do not help with that ambition but we certainly should be able to consider options beyond one year so that the budget process is a continuing process rather than an annual process.
- 3.3.4 The four types of options officers are considering are:
1. Generation of additional income
 2. Spend-to-save opportunities
 3. Review of earmarked reserves (will provide one-off opportunities)
 4. Service reductions or changes to how services are delivered.
- 3.3.5 Generation of additional income: there are four main areas to consider for income generation:
- Increase to Council Tax – as noted earlier in this report, this is a matter for Council to agree, however, it should be noted that some Councils have already indicated that due to the Council Tax freeze in 2024-25 they are likely to increase Council Tax more significantly in 2025-26, some citing 10% as an option. Within the mid-range budget outlook, 5%

has been assumed, raising Council Tax by 10% would generate a further £3m of income and this would be recurring.

- Increase to Fees and Charges/Introduction of new Fees and Charges – within the mid-range budget outlook, a 6% increase has been assumed and with the reducing level of inflation, there may not be scope to increase the general rate of increase. However, our fees and charges should be benchmarked against other authorities to identify any areas of Council business we don't charge for where others do or where our fees and charges are less than others. This may provide some opportunities that would be recurring. It should be noted, however, that fees and charges are a small part of overall income, a 1% general increase in fees and charges amounts to around £60k.
- New commercial income – officers are always giving consideration as to where we can be more commercial and raise income. The full business case for Oban Business Park is being developed with opportunities for commercial income and Helensburgh Business Park is also coming to a conclusion. Raising commercial income is not easy and for Oban Business Park we are relying on TIF income and Levelling Up funding in order to make this a viable business proposition. Officers are also giving consideration as to opportunities for commercial income in respect of renewables.
- Introduction of Visitor Levy – Stage 3 of the visitor levy Bill has now gone through Scottish Parliament and we await further guidance and Royal Assent. Officers will bring forward a report to the September Council and if Council are minded to agree to introduce a visitor levy, the process of consultation and lead in time (as prescribed by Scottish Government) will mean that additional income will not be achieved until financial year 2026-27.

3.3.6 Spend-to-Save opportunities – the Council at the budget meeting on 22 February 2024 set aside savings from the temporary reduction in Strathclyde Pension Fund contributions to be used towards spend-to-save opportunities and transformation. There is £2m within this fund and officers will give consideration to how this could be best utilised, for example, previously funding has been used towards energy efficiency measures to reduce the level of utility costs in the future. Proposals will be brought forward as they are developed.

3.3.7 Review of earmarked reserves – officers have been reviewing all the earmarked reserves held within the General Fund challenging if they are still required and whether they could be released back to the General Fund for other purposes. It is intended that we will report the outcome of this exercise at the September Council meeting and some or all of any earmarkings that can be released could be used to help with the 2025-26 budget. This would only provide a one-off saving and as noted previously it is always better to identify recurring savings options to ensure the budget going forward remains sustainable.

3.3.8 Service reductions or changes to how services are delivered – there will inevitably have to be savings within services in order to balance the budget for next year and beyond. Senior Management have been considering each

service activity and have applied a savings target, where appropriate, to service activities relevant to the size of the service and whether the service is statutory or non-statutory. Officers will be asked to identify savings equal to this target over the summer with the intention that they will be reported to the Budget Working Group in the first instance.

Roads and Infrastructure Services are also part way through a thorough review of all service areas. Stage 1 of the process has concluded and we are moving onto Stage 2 to test the outputs from Stage 1 and then Stage 3 and 4 to develop a refined target operating model and a series of options to transform the service. Savings of £200,000 were agreed for 2024-25 and it is anticipated the further savings will be available for 2025-26 and in future years.

We have commenced the procurement process to appoint external support for a review of all Education service areas, in a similar way to the Roads and Infrastructure Services review. It is anticipated that a nominal amount of savings could be delivered in 2025-26 with further savings in future years.

- 3.3.9 Officers are mindful that the new Administration intends to bring forward a refreshed set of Council priorities after the summer and this may provide opportunities to streamline services to focus on the Council priorities.

3.4 Budget Consultation

- 3.4.1 The Council has consulted on its budget in many different ways over the last number of years. Some consultations were high level, some were based on a general set of questions and some consulted on individual savings options. For the 2024-25 budget, a budget simulator was used that allowed the public to engage with the Council and understand potential implications of budget decisions at a high level.

- 3.4.2 Whilst the engagement on the budget simulator was disappointing, it was noted that more people started the budget simulator than finished it, quite possibly as it was too hard to get to a balanced position. There is a possibility that we could use the budget simulator again but focus on a particular service. Officers will consider options for the budget consultation for 2025-26 and bring a report to the Budget Working Group in the first instance.

3.5 Budget High Level Timetable

- 3.5.1 Appendix 1 to this report sets out a draft budget timetable with some key dates highlighted in the table below. It should be noted that these timescales are indicative and assumes the Scottish Government will announce its draft budget in December. It is unclear, at this stage, as to whether the General Election and the appointment of a new Government could delay any budget announcements.

Table 1: Key Dates

Date	Event	Purpose
15 August 2024	Policy and Resources Committee	Updated Budget Outlook.
August 2024 (date tbc)	Budget Working Group	First Budget Working Group meeting to consider latest budget outlook position and options identified to date. Initial suggestions for budget consultation to be considered.
Mid December 2024 (estimated)	Scottish Government Budget Announcement	
Week beginning 16 December 2024	Budget Working Group	Update following SG Budget Announcement.
Prior to Christmas Break	Briefing to All Members	Briefing issued to all Members summarising the impact the Scottish Government Settlement has on the budget.
6 February 2025	Budget Pack published	Budget pack included in release of Policy and Resources Committee papers.
20 February 2025	Council	Set budget and set level of Council Tax for 2025-26.

4. CONCLUSION

- 4.1 Officers continue to monitor the budget outlook position regularly and report updates to Members at each Policy and Resources Committee. The budget outlook is extremely challenging and difficult decisions will be required in order to balance the budget.
- 4.2 This report outlines an approach to the budget for 2025-26 and beyond and recommends that a Budget Working Group is established similar to previous years.
- 4.3 A draft high level budget timetable has been developed and is outlined in Appendix 1.

5. IMPLICATIONS

- 5.1 Policy – sets out that budget approach that will develop options to be considered to balance the budget.
- 5.2 Financial – Sets out the budget position as reported in the budget outlook.

- 5.3 Legal – None directly from this report but the Council will need to balance the budget.
- 5.4 HR – None directly from this report but there is a strong link between HR and budgets.
- 5.5 Fairer Scotland Duty:
 - 5.5.1 Equalities – None directly from this report but any proposals to address the estimated budget gap will need to consider equality issues.
 - 5.5.2 Socio Economic Duty - None directly from this report but any proposals to address the estimated budget gap will need to consider socio economic issues.
 - 5.5.3 Islands Duty - None directly from this report but any proposals to address the estimated budget gap will need to consider any island specific issues.
- 5.6 Climate Change – The Council is committed to addressing climate change and reviews how Services are delivering this on an ongoing basis within the available budget resources.
- 5.7 Risk - None directly from this report but any proposals to address the estimated budget gap will need to consider risk.
- 5.8 Customer Service - None directly from this report but any proposals to address the estimated budget gap will need to consider customer service.
- 5.9 The Rights of the Child (UNCRC) – None directly from this report but any proposals to address the estimated budget gap will need to consider the Rights of the Child.

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10 June 2024

APPENDICES:

Appendix 1 – 2025-26 Draft Budget Timetable

For further information contact:

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**APPENDIX 1
2025-26 DRAFT BUDGET TIMETABLE**

Date	Event	Purpose
27 June 2024	Council	Budget Approach agreed and Budget Working Group established.
15 August 2024	Policy and Resources Committee	Updated Budget Outlook.
August 2024 (date tbc)	Budget Working Group	First Budget Working Group meeting to consider latest budget outlook position and options identified to date. Initial suggestions for budget consultation to be considered.
September 2024 (date tbc)	Budget Working Group	Updated budget gap and further information on emerging options.
10 October 2024	Policy and Resources Committee	Updated Budget Outlook and identification of options referred from the Budget Working Group. Agree Budget Consultation exercise.
Post Policy and Resources Committee	Employee statutory consultation/Trade Union Consultation where/if required. Budget Consultation opens	Where/if required employee statutory consultation period begins for those at risk of redundancy and also consultation with Trade Unions. Budget consultation opens for a period of ??weeks (still be to determined).
November 2024 (date tbc)	Budget Working Group	Updated budget gap and further information on emerging options.
5 December 2024	Policy and Resources Committee	Updated Budget Outlook and identification of options referred from the Budget Working Group.
Post Policy and Resources Committee	Employee statutory consultation/Trade Union Consultation where/if required.	Where/if required employee statutory consultation period begins for those at risk of redundancy and also consultation with Trade Unions.
Mid December 2024 (estimated)	Scottish Government Budget Announcement	
Week beginning 16 December 2024	Budget Working Group	Update following SG Budget Announcement.
Prior to Christmas Break	Briefing to All Members	Briefing issued to all Members summarising the impact the

Date	Event	Purpose
		Scottish Government Settlement has on the budget.
Week beginning 13 January 2025	Budget Working Group	Update on options to balance the budget. Output from Budget Consultation exercise
End of January 2025	Elected Members Seminar	Budget 2025-26 Update.
6 February 2025	Budget Pack published	Budget pack included in release of Policy and Resources Committee papers.
13 February 2025	Policy and Resources Committee	Consider budget proposals and make recommendations to Council.
Mid February 2025	EJCC	Budget 2025-26 Update.
20 February 2025	Council	Set budget and set level of Council Tax for 2025-26.