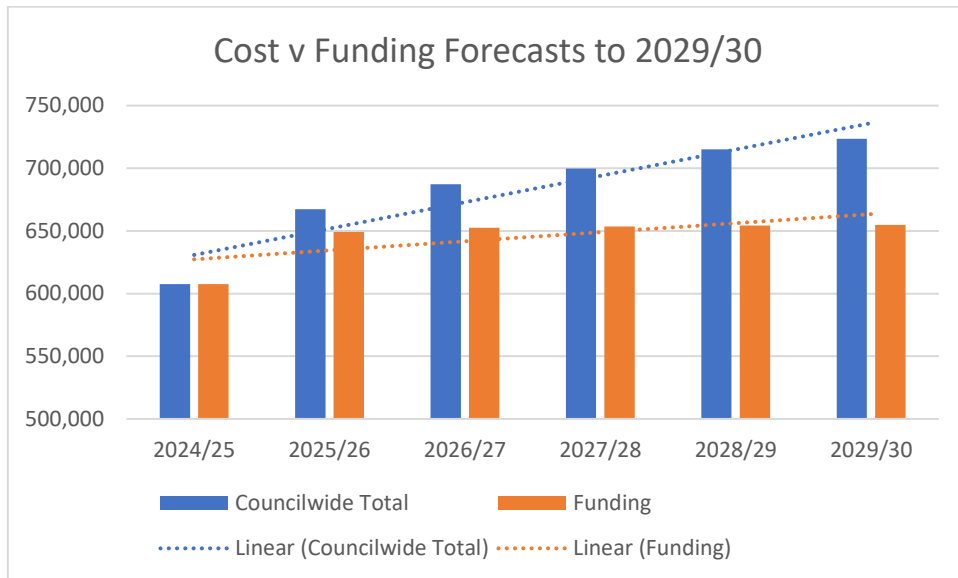


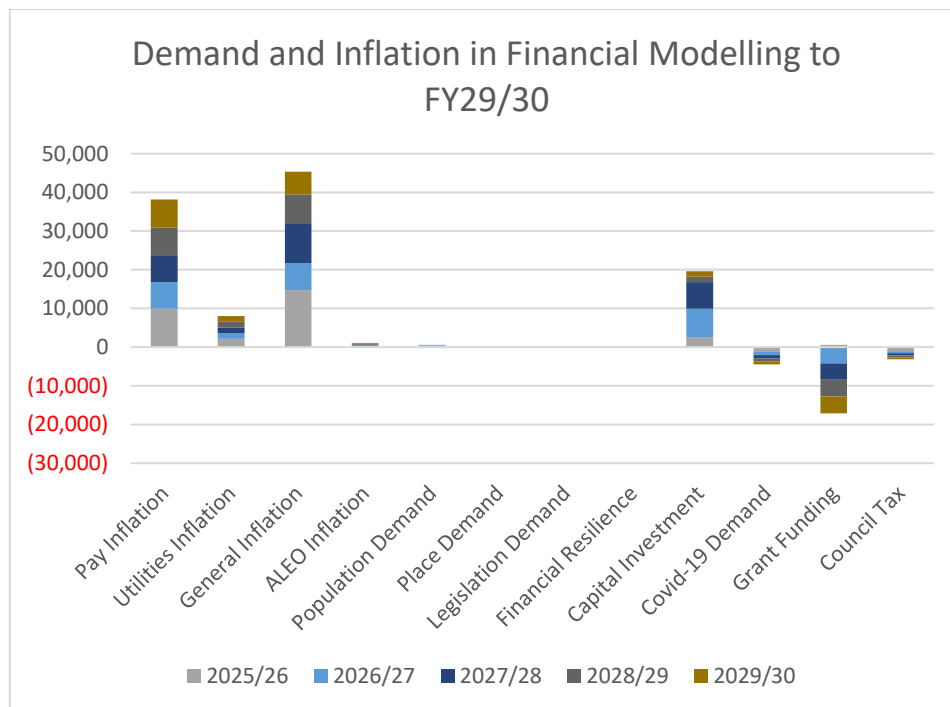
Building the Budget

Building the Budgets and Implications for 2025/26

The financial model for 2025/26, as part of the Medium Term Financial Strategy anticipates a need to offset rising demand and costs where the income level is predominantly constant. The Potential Gap, reflects the overall (Gross) budget gap that is forecast to accumulate because of rising costs outstripping income.



The financial model for 2025/26 – 2029/30 including the focus on demand can be expressed as shown in the following graph.



The redesign of services must focus on core elements of the budget, namely Staff, Assets, Spend and Income, the total of which must be met by Scottish Government Grant (including Non-Domestic Rates) and Council Tax income.

Building the Budget:

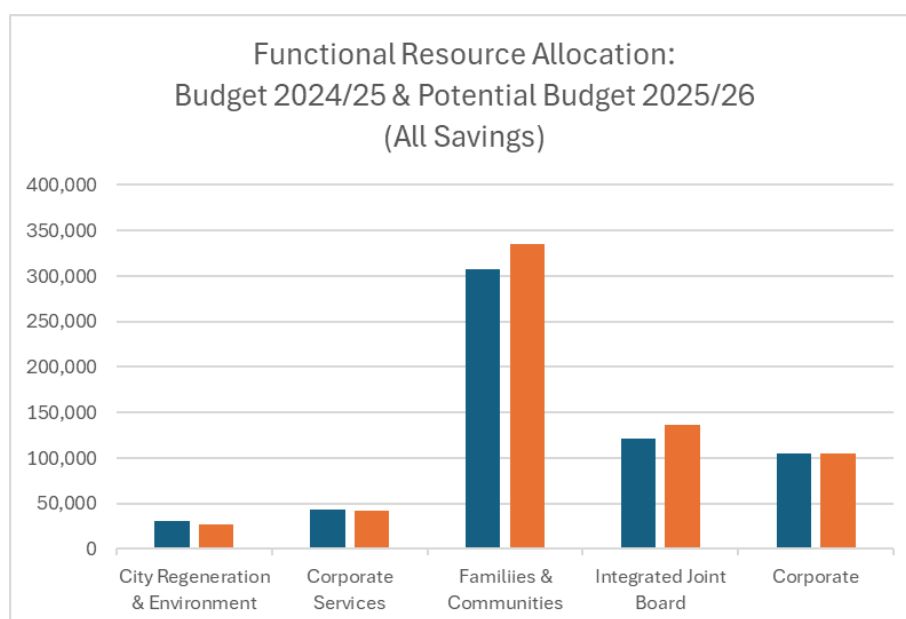
Chief Officers together have been asked to shape the budget based on the various factors that have been identified as part of the commissioning approach. This is expected to address identified demand and to be constrained by the overall financial resources available. Contingencies are included in the overall budget at a corporate level to help to address unknown demand and need.

Looking carefully at our statutory obligations and duties alongside the fixed cost nature of many of our services – whether that is buildings, staff or contracts – and in the context of the Local Government Settlement conditions in respect of teacher numbers, protection of funding for Health & Social Care Integration Joint Boards there is surprisingly little discretion and room for manoeuvre.

Inevitably there are some elements of the budget that need to reflect the uncertainty that exists, examples include where inflation will impact the Council utilities and pay awards; these are provided for at a corporate level – the lack of agreement on 2025/26 pay awards means significant provision / contingency is held in the Corporate ledgers at present.

The changing landscape of Health and Social Care financial pressures and the limit placed on funding for increases to the National Insurance Contributions for employers from 1 April 2025 makes a significant difference as we enter the budget setting process.

The purpose of all of this is to enable Chief Officers to construct a budget that meets the Council’s Commissioning Intentions, set out in the Council Delivery Plan, and their service redesign objectives, while fulfilling the overall requirement for balancing the budget. This helps to empower Chief Officers and supports accountability and responsibility, rather than having adjustments made from the ‘corporate centre’.



General Fund 2025/26

The Medium Term Financial Strategy report approved by Finance and Resources Committee in November 2024 included budget modelling for 2025/26 and future years:

Budget Forecasts - General Fund	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000	£'000
City Regeneration & Environment	30,235	38,598	43,667	46,152	48,052	49,992
Corporate Services	43,487	44,132	43,151	41,461	43,144	44,890
Families & Communities	307,384	324,681	328,710	332,260	338,374	341,152
Integrated Joint Board	121,932	121,932	121,932	121,932	121,932	121,932
Corporate	104,429	102,558	112,712	120,322	126,447	128,162
	607,467	631,901	650,172	662,127	677,949	686,127
Funded By						
General Revenue Grant	(252,057)	(252,057)	(252,057)	(252,057)	(252,057)	(252,057)
NNDR	(208,113)	(208,113)	(208,113)	(208,113)	(208,113)	(208,113)
Council Tax	(139,727)	(140,850)	(141,393)	(141,937)	(142,480)	(143,023)
Use of Reserves	(7,569)	(2,065)	(4,821)	(5,252)	(5,423)	(5,419)
	(607,467)	(603,086)	(606,385)	(607,359)	(608,074)	(608,613)
Gap (Cumulative)	0	28,815	43,787	54,768	69,876	77,514

Further information has become available since that model was drafted, including UK Government budget announcements at the end of October, and the Scottish Government's draft budget for 2025/26, as outlined in the main report.

Incorporating these updates in to the Council's budget assumptions for future years produces the following:

Budget Forecasts - General Fund	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000	£'000
City Regeneration & Environment	30,235	36,799	41,919	44,456	46,411	48,405
Corporate Services	43,487	46,140	45,738	44,444	45,213	47,012
Families & Communities	307,384	340,694	345,583	349,468	355,921	358,821
Integrated Joint Board	121,932	136,463	136,463	136,463	136,463	136,463
Corporate	104,429	104,759	114,957	122,549	128,621	130,282
	607,467	664,855	684,661	697,380	712,630	720,984
Funded By						
General Revenue Grant	(252,057)	(309,025)	(309,025)	(309,025)	(309,025)	(309,025)
NNDR	(208,113)	(200,361)	(200,361)	(200,361)	(200,361)	(200,361)
Council Tax	(139,727)	(140,850)	(141,393)	(141,937)	(142,480)	(143,023)
Use of Reserves	(7,569)	(2,065)	(4,821)	(5,252)	(5,423)	(5,419)
	(607,467)	(652,302)	(655,601)	(656,575)	(657,290)	(657,829)
Gap (Cumulative)	0	12,553	29,060	40,805	55,340	63,155

The financial environment continues to change quickly and now taking account of the financial risks that are crystallising for 2025/26 the modelling has been updated to the following scenario, increasing the gap in 2025/26 to £18.053m.

Budget Forecasts - General Fund	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	£'000	£'000	£'000	£'000	£'000	£'000
City Regeneration & Environment	30,235	36,799	41,919	44,456	46,411	48,405
Corporate Services	43,487	46,140	45,738	44,444	45,213	47,012
Families & Communities	307,384	340,694	345,583	349,468	355,921	358,821
Integrated Joint Board	121,932	138,963	138,963	138,963	138,963	138,963
Corporate	104,429	104,759	114,957	122,549	128,621	130,282
	607,467	667,355	687,161	699,880	715,130	723,484
Funded By						
General Revenue Grant	(252,057)	(306,025)	(306,025)	(306,025)	(306,025)	(306,025)
NNDR	(208,113)	(200,361)	(200,361)	(200,361)	(200,361)	(200,361)
Council Tax	(139,727)	(140,850)	(141,393)	(141,937)	(142,480)	(143,023)
Use of Reserves	(7,569)	(2,065)	(4,821)	(5,252)	(5,423)	(5,419)
	(607,467)	(649,302)	(652,601)	(653,575)	(654,290)	(654,829)
Gap (Cumulative)	0	18,053	34,560	46,305	60,840	68,655

The movement between budget models can be summarised as:

Budget Forecasts - General Fund	Original	Impact of	Impact of	2024/25	Updated	New Items in	Extended	SLARC	2024/25	2025/26	IJB Upside	Updated
	£'000	Employers NI £'000	2024/25 Pay Award £'000	Items rolled forward £'000	Below the Line Options £'000	Settlement £'000	Producer Responsibility £'000	Recommendations	Modelling adjustments £'000	Modelling adjustments £'000	Exposure 2025/26 £'000	
City Regeneration & Environment	38,598	910	1,590		(1,039)		(3,200)		(61)			36,798
Corporate Services	44,132	792	1,383		(125)				(42)			46,141
Families & Communities	324,681	5,174	10,347		(1,900)	2,392						340,694
Integrated Joint Board	121,932	505	350	8,643		5,033					2,500	138,963
Corporate	102,558	9	(9,453)					325	11,319			104,759
	631,901	7,391	4,217	8,643	(3,064)	7,425	(3,200)	325	11,216	0	2,500	667,355
Funded By												
General Revenue Grant	(252,057)	(4,391)	(4,217)	(8,643)		(16,325)			(12,640)	(7,752)		(306,026)
NNDR	(208,113)									7,752		(200,361)
Council Tax	(140,850)											(140,850)
Use of Reserves	(2,065)											(2,065)
	(603,086)	(4,391)	(4,217)	(8,643)	0	(16,325)	0	0	(12,640)	0	0	(649,302)
Gap (Cumulative)	28,815	3,000	(0)	0	(3,064)	(8,900)	(3,200)	325	(1,424)	0	2,500	18,052

Revising our services continues to impact on the way in which our services will be delivered, taking account of the continued aim to reduce the total workforce, implementation of the digital programme and switching focus to prioritising our outcomes and legal obligations.

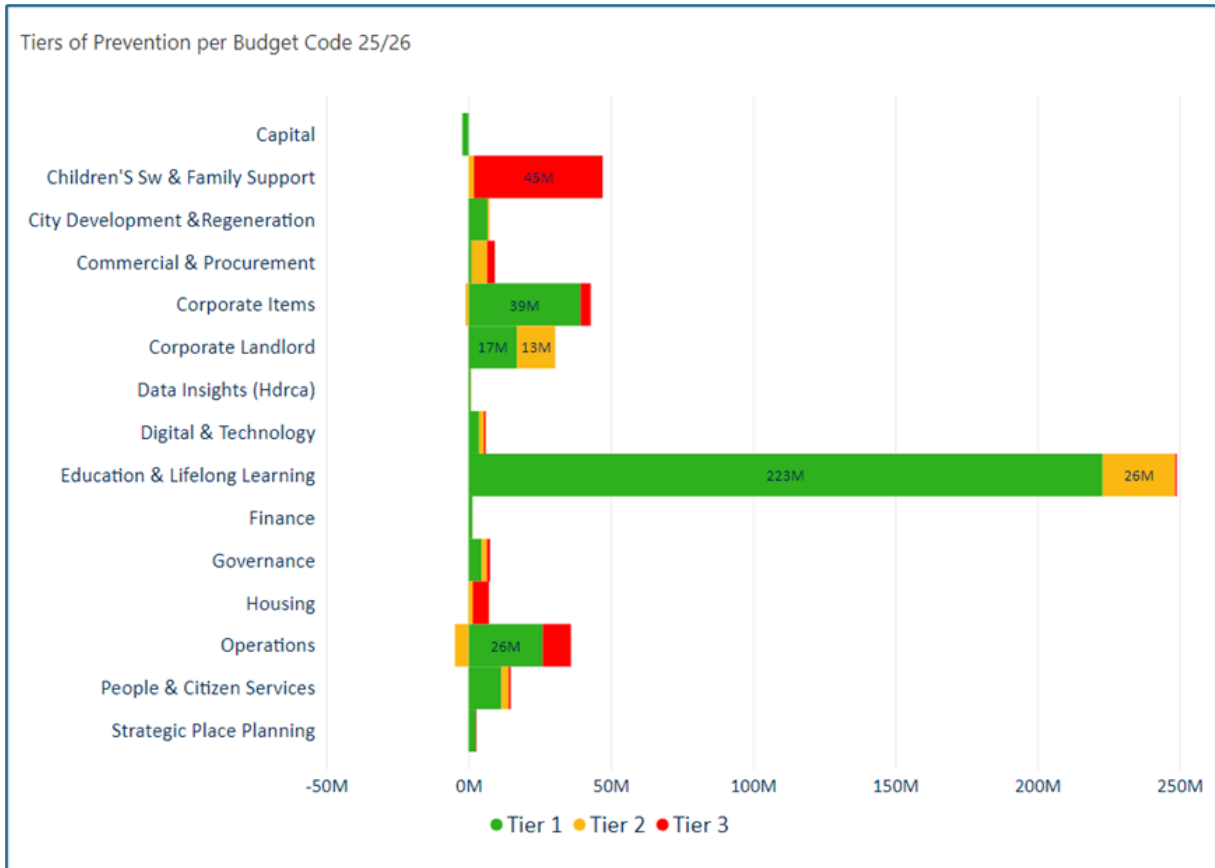
The wide-ranging implications of the redesigned services, which tackle demand and move the Council towards allocating resources for prevention and early intervention, must consider the financial sustainability of services and recognise areas where the Council should decommission.

Our corporate service design approach has included consideration of the following potential elements to ensure consistency and a comprehensive approach to building our services:

- **Staff:** recognising current and reducing staffing levels, identifying the opportunities within the Operating Model to consolidate, amalgamate or shift service areas to better meet the needs of our customers and enable the delivery of our outcomes.
- **Assets:** review the use of operational buildings, the need and suitability of the properties to deliver the services needed, consider the flexibility and alternative options for how we work, taking advantage of digital transformation, mobile and alternative locations.
- **Spend:** review the contract registers, consider duplication of commissioned services, review frameworks that could be used to replace existing contracts or to bring contract spend onto a framework agreement.
- **Fees and Charges:** understand the Service Income Policy and the relationship that the service has with charging, local discretion, national pricing, partial recovery and full cost recovery; consider the sustainability of services that can be charged for and think about the commercial opportunities to raise additional income that covers more than cost. The sustainability of charging to other Council accounts needs to be reviewed.
- **Ring-Fenced Grants:** this funding is not guaranteed, and costs must be contained within funding made available. A review of the recurring nature of this funding should be considered and the implications if it were to stop.
- **Net Zero Vision:** increasingly prominent in our work, the Council has set out its vision for contributing to the national targets and making that transition as a city. The design of our services has to factor in how they will contribute to the Council's net zero ambitions.

Prevention & Early Intervention

Using our 3 Tier framework for presenting the draft budget, having applied the savings that have been included in the budget report, the shape of the budget for 2025/26 can be shown in the following graphic, this work has been incorporated into the Council Delivery Plan 2025-2026, also on the agenda for the Council meeting.



The choice of savings to be applied to this baseline in order to balance the 2025/26 General Fund revenue budget will result in movement between Prevention (Tier 1), Early Intervention (Tier 2) and Response (Tier 3).