

Report

Report to:	Executive Committee
Date of Meeting:	13 November 2024
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	2025/2026 Revenue Budget Gap and Savings
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ provide an update on the budget gap and savings proposals for 2025/2026, and provide the outcome of the Cross-Cutting Review of the Loans Fund and Service Concessions (IFRS 16).

2. Recommendation(s)

2.1. Committee is asked to approve the following recommendation(s):-

- (1) that the update on Key Budget Areas (section 4), be noted;
- (2) that the £3.600 million Consequentials will be set aside to contribute to the 2025/2026 Pay Award (section 4.2), be approved;
- (3) that the 2025/2026 budget reductions in Utilities and Council Tax (section 4.8, Table 1) be used to reduce the Budget Gap, be approved;
- (4) that the proposed savings included in Appendix 1, be considered;
- (5) that the position re Additional Teachers, (section 5.4), be noted;
- (6) that the Loans Fund Review proposal to remove voluntary repayments (summarised in sections 6.3 - 6.8 / detailed in Appendix 4), be considered;
- (7) that the resultant savings from the Loans Fund Review summarised in Table 4 (section 6.7) be agreed to reduce the Budget Gap, be considered;
- (8) that the Service Concessions (IFRS 16) review savings detailed in Table 5 (section 6.11), be noted;
- (9) that the use of Loans Fund Review Underspends to support the Budget Strategy from 2027/2028 to 2029/2030, as proposed in section 6.16 (Table 8), be considered;
- (10) that the revised 3-year Budget Gap across the period 2025/2026 to 2027/2028, as detailed in section 7 (Table 9), be noted; and
- (11) that the risks detailed in the Other Implications Section (section 13), be noted.

3. Background

3.1. A report titled [2025/2026 to 2027/2028 Revenue Budget Strategy](#) was presented to the Executive Committee in June 2024. This paper focussed on the financial outlook for the next 3 years, highlighting a Budget Gap of £77.275 million. The Budget Gap relating to financial year 2025/2026 is **£22.355 million**.

- 3.2. This paper will provide an update on a number of budget areas including the impact of Pay Awards, the price of utilities and an early outturn on Council Tax collected in 2024/2025. It will also discuss options to balance the Budget and will include reference to Council Tax as well as savings proposals resulting from the Council's Transformational Change Programme. Part of the Transformational Change programme includes the Cross-Cutting Review of the Loans Fund / Service Concessions. The outcome of that review will also be covered in this report.
- 3.3. This report will cover the following:
- An update on key budget areas (section 4),
 - Savings and the Transformational Change Programme (section 5), and
 - Review of Loans Fund and Service Concessions (section 6).
- 3.4. Taking account of the update in section 4, section 7 considers the Budget Gap across the 3-year period, 2025/2026 to 2027/2028. A Summary, options, Next Steps and a Timeline for consideration is provided in section 8.
- 3.5. Section 9 provides details of the Reinstatement requirements following previous year budget decisions, and section 10 details employee implications resulting from the proposals in this report. Other implications are detailed in section 13 and section 14 provides an update on the Integrated Impact Assessments carried out on the savings and Budget proposals.

4. Update on Key Budget Areas

- 4.1. Since the last Budget Strategy report in June 2024, the 2024/2025 Pay Award has been implemented and further information has been received on utility projections. In addition, an early outturn position for Council Tax properties has been completed for 2024/2025. Each is taken in turn.
- 4.2. **2024/2025 Pay Award:** The Council's Budget for 2024/2025 included an initial pay award assumption for non-teachers from 1 April 2024 and for teachers from mid-August 2024. This was augmented by the UK Government Consequentials monies (£3.600 million) which were set aside for pay awards. The pay award for 2024/2025 has now been implemented and the cost of the award can be managed within the pay assumptions for 2024/2025. As we prepare for the 2025/2026 Budget and Pay Award, the in-year (2024/2025) Consequentials funding of £3.600 million will be set aside to contribute to the 2025/2026 Pay Award costs.
- 4.3. **Utilities:** As noted in June 2024, recent information has suggested a downward trend in the anticipated price of utilities into 2024/2025 and this allowed a benefit to the Strategy of an estimated £2.000 million. This will result in an in-year underspend of £2.000 million in 2024/2025. The Council is a member of the buying consortium who purchase wholesale energy in advance, on behalf of ourselves and other public sector bodies. The price indications specifically for electricity purchased for the next couple of years indicates further price reductions beyond that assumed for 2024/2025.

- 4.4. Since June 2024, further information has been received and while still only a proportion of the required units are purchased for the year 2025/2026 and 2026/2027, based on what has been purchased so far, the financial benefit into 2025/2026 is higher than has been assumed in the Budget Strategy. As more wholesale units are purchased during the year, further certainty can be reached on the projected costs and this will continue to be monitored as the year progresses, however, based on current information, the Budget Gap for 2025/2026 could be reduced by £3 million.
- 4.5. **Council Tax:** The Council Tax Budget for 2024/2025 assumed the impact of new build properties during 2023/2024 and an estimate into 2024/2025. Given the current economic climate, and the risk that development would not progress as originally anticipated, the budget estimates included a prudent assumption regarding development numbers, and also that the arrears collection would not continue at the current levels.
- 4.6. An early outturn has been completed on the 2024/2025 Council Tax budget. This is showing an estimated over-recovery of Council Tax income of £3.3 million for 2024/2025. This reflects a better level of arrears collection than previously experienced, and also shows an increase in property numbers over and above the budgeted level.
- 4.7. Moving into 2025/2026, the Budget Strategy included a prudent assumption of £1.4 million for new properties based on a slowing of the market, and also a lower assumption of arrears collection aligned to the ongoing cost of living crisis. However, based on the 2024/2025 early outturn, it is proposed that the 2025/2026 Budget could benefit from the full year impact of additional new properties between September 2024 and March 2025, as well as any further new properties in 2025/2026. An estimate of £1.000 million has been made to reflect this. Overall, this would reduce the 2025/2026 Budget Gap by £2.9 million.
- 4.8. Table 1 shows the impact of the further information on these key budget areas.

Table 1: Update on Key Budget Areas

	2024/2025 In-Year Underspend (One-Off Benefit) £m	2025/2026 Reduction in Budget Gap £m
Utilities (sections 4.3 – 4.4)	2.000	3.000
Council Tax (sections 4.5 – 4.7)	3.300	2.900
Total	5.300	5.900

- 4.9. Table 1 shows that the key budget areas have resulted in a total underspend of £5.300 million anticipated in 2024/2025 and a reduction to the 2025/2026 Budget Gap of £5.900 million. **This would take the original Budget Gap from £22.355 million to £16.455 million.**

4.10. While these figures are significant, it is acknowledged that at the time of writing, neither the UK Government nor the Scottish Government Budgets have been released for 2025/2026. As a consequence, the Council has no certainty on its financial settlement for 2025/2026. The Council will not know its financial Settlement for 2025/2026 until after the UK Government and then the Scottish Government budget is set with the Settlement itself due to be received by the Council on 12 December 2024. This is a significant risk area in terms of the Budget Strategy and as a result, it is proposed that no action is taken regarding the 2024/2025 one-off underspends noted in Table 1, and that instead, these are considered alongside the Settlement when it is received in mid-December 2024. Members will be updated on the impact of the Settlement in January 2025.

5. Savings and the Transformational Change Programme

5.1. As presented to Members as part of the June Budget Strategy paper, in order to bridge the Budget Gap, a Transformational Change programme is underway. This includes a series of cross-cutting reviews across the Council, as well as specific reviews across the individual Resources. These Transformational Cross-Cutting Reviews have been reported to the Performance and Review Scrutiny Forum in August and an update will be provided in November 2024, with the outcomes achieved to date informing a package of savings. These proposed savings resulting from all the Transformational Change Programme (Cross-Cutting and Resource Reviews) are provided in Appendix 1 for Members' consideration.

5.2. The full savings pack as it stands totals £10.663 million. This can be compared to the Revised Budget Gap of £16.455 million (section 4.9). This is shown in Table 2.

Table 2 – Summary of 2025/2026 Savings Proposals

	2025/2026 Savings FTE	2025/2026 Savings £m
Previously Approved	-	0.500
Management and Operational	16.85	3.769
Cross Council	-	0.375
Community & Enterprise	92.50	4.011
Education	6.00	1.510
Finance & Corporate	-	0.180
Housing & Technical	-	0.318
Social Work	-	-
Total Savings (Appendix 1)	115.35	10.663

Revised Budget Gap (Section 4.9)	16.455
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5.3. The savings of £10.663 million includes Previously Approved Savings of £0.500 million, Management and Operational Savings of £3.769 million along with Resource savings proposals of £6.394 million for consideration.

5.4. **Teachers:** Education Resources have been reviewing their service with a view to identifying savings. A funding allocation was made to the Council from the Scottish Government for additional teachers. Currently, Education Resources has funding equivalent to an additional 115 FTE teachers **beyond core teacher allocations** within our school establishments. This additionality was provided to support pupils

who experienced significant learning loss as a result of school closures during the COVID period. Schools deployed this additional teacher staffing flexibly in response to local need within their own school communities for example supporting catch up programmes in literacy and numeracy in primary schools and bespoke supports to improve attendance for those struggling to return to the secondary school environment. It also provided for teacher cover, if required. The funding has provided a level of teachers beyond our core staffing model and beyond our statutory obligations. It would still be possible to operate without these staff by returning to core staffing levels in schools.

- 5.5. Table 3 shows the impact in FTE and in monetary value if the additionality was removed from 2025/2026.

Table 3: Teachers' Additionality

	FTE	Value £m
2025/2026	57.5	2.300
2026/2027	57.5	3.700
2027/2028	-	1.400
Total	115.0	7.400

- 5.6. The reduction could be implemented from August 2025. £2.300 million could be realised in 2025/2026, further savings of £3.700 million achievable in 2026/2027 and £1.400 million in 2027/2028 meaning the complete annual saving from 2027/2028 equates to £7.400 million.
- 5.7. No proposal has been included in the savings pack in Appendix 1, on the basis that it affects teacher numbers and there remains uncertainty regarding the potential impact on the Government Grant if teacher numbers were to be reduced. In 2024/2025, the Scottish Government has advised that the grant relating to teacher numbers will be conditional on the Council agreeing at the outset to maintain teacher numbers. At the time of writing this report, there is no guidance in relation to any penalty for reducing teacher numbers in 2025/2026, nor whether any penalties will be applied in 2024/2025.
- 5.8. If the position nationally changed such that it became appropriate to consider savings against teacher numbers, this could help address the 2025/2026 Budget Gap by £2.300 million. By not cutting teacher numbers, higher levels of cuts will be required to be agreed through the savings pack.

6. Transformational Review – Cross-Cutting Review of Loans Fund and Service Concessions (IFRS16)

- 6.1. As reported to the Executive Committee in June 2024, one of the Transformational Programme's cross-cutting reviews was to look at the Council's Loan Charges budget, and the repayment of debt through Service Concessions. How these charges, in particular the repayment of debt, are calculated and accounted for can have a material impact on the amounts charged to the Council's Revenue Budget.
- 6.2. Appendix 4 of this report provides a detailed report on the Loans Fund Review and the options available in relation to Additional Voluntary Repayments. In addition, it also looks at the options available in relation to Service Concessions payments as a consequence of implementing IFRS16. A summary of the output of the review is detailed below.

- 6.3. **Loans Fund Review / Additional Voluntary Repayments:** The previous review of the loans fund in 2019 looked at the repayment profile of the borrowing from the Loans Fund to fund the capital programme. By extending the period over which the borrowing was repaid, it was identified that £68 million of loans fund advances had been repaid earlier than it would have been under the revised approach. These one-off monies were approved for use in supporting the Council’s Budget Strategy.
- 6.4. In addition to the benefits from the historic overpayment, the Council could also repay future advances over an extended period. By doing this, while it released further savings in repayments, the downside was additional interest costs as a result of the debt outstanding remaining higher for longer. To mitigate the additional interest costs, an alternative approach was identified that involved making additional voluntary repayments of debt. This was the approved position in June 2020 (Executive Committee).
- 6.5. However, given the further budget pressures being faced by the Council in the coming years, the additional voluntary repayments have been reconsidered with a view to lowering the loan charges spend across the medium term. The impact on interest payments has also been considered as part of this Review. The option to remove voluntary repayments is only available from 2025/2026 onwards due to the fact that they were originally programmed to start in that year.
- 6.6. By no longer making these voluntary repayments, then the loan charges incurred by the Council will be lower in the 3 years of this Budget Strategy (2025/2026 to 2027/2028 – as shown in Annex A to Appendix 4). The result of this is that we will underspend in our Loan Charges budget. The recalculations present an underspend of £18.849 million in 2025/2026 but this underspend decreases into future years to accommodate the profile of debt repayments and consequent interest charges. This is shown in Appendix 4, Annex A.
- 6.7. While the savings / underspend starts at £18.849 million in 2025/2026, the level of savings each year thereafter reduces over time so we cannot take this higher level of savings on a permanent basis. Instead, it is proposed that we take a 3-year view of the savings achievable from the review and that a total saving of £14.600 million be taken and spread this across the 3 years from 2025/2026 to 2027/2028. This is shown in the first 3 columns of Table 4. These figures include the additional interest costs incurred from not repaying the voluntary repayments (as referred to in Section 6.5). For information, the interest costs total £185.637 million across the years 2025/2026 to 2061/2062 (ie across 36 years), and these are included in the Strategy proposed. At today’s prices, this equates to £97 million.

Table 4: Loans Fund Review – Proposed Savings

	2025 / 2026 £m	2026 / 2027 £m	2027 / 2028 £m	2028 / 2029 £m	2029 / 2030 £m
Loans Fund Review	5.500	5.500	3.600	(1.000)	(0.500)
Cumulative Savings	5.500	11.000	14.600	13.600	13.100

- 6.8. Table 4 shows that the Loans Fund Review could help address the Budget Gap by £14.6 million over the 3 years of the current Revenue Budget Strategy (from 2025/2026 to 2027/2028). Table 4 also shows that after 2027/2028, there will be a requirement to increase loan charge budgets: reinstatement of the budget is required in 2028/2029 (£1.0m) and 2029/2030 (£0.5m) as shown in Table 4. The cumulative £13.100 million shown in Table 4 reflects savings of £14.600 million for the first 3 years, and then a cost of £1.5 million thereafter.
- 6.9. **Service Concessions / IFRS16 (Statutory Charge for Repayment of Debt):** In 2022/2023, the Council applied flexibilities regarding how the debt element of Service Concessions (PPP scheme) payments are charged to revenue. These flexibilities arose from accounting regulations which removed the restriction that we have to account for these costs over the life of the contract rather than the life of the asset. By charging debt to the Revenue Budget over the life of the asset, rather than the contract period, significant one-off retrospective savings were realised, as well as permanent budget savings.
- 6.10. IFRS16 is an accounting standard that councils have to implement in 2024/2025. The consequence is that there are changes in how the Council accounts for leases in its Annual Accounts. This standard also applies to how we account for the Council's Service Concessions (PPP scheme). By applying this standard, there is a reduction in what is charged to the Revenue Budget over the medium term, allowing further savings to be made.
- 6.11. The impact of this change in accounting treatment releases savings of £1.600 million across the 3 years of the Budget Strategy from 2025/2026 to 2027/2028. It is proposed that these budget reductions of £1.600 million are used to help address the Council's Budget Gap across the years 2025/2026 to 2027/2028. The profile of the savings across the coming years is shown in Table 5.

Table 5: Service Concessions – Proposed Savings

	2025 / 2026 £m	2026 / 2027 £m	2027 / 2028 £m	2028 / 2029 £m	2029 / 2030 £m
Service Concessions	1.100	0.500	-	1.300	1.700
Cumulative Savings	1.100	1.600	1.600	2.900	4.600

- 6.12. Table 6 summarises the total benefit of the Loans Fund Review to the Budget Gap for 2025/2026 to 2027/2028. The 2025/2026 saving has not yet been included in the savings package in Appendix 1.

Table 6 – Total Savings from Review (Loans Fund & Service Concessions)

	2025 / 2026 £m	2026 / 2027 £m	2027 / 2028 £m	2028 / 2029 £m	2029 / 2030 £m
Loans Fund Review	5.500	5.500	3.600	(1.000)	(0.500)
Service Concessions	1.100	0.500	-	1.300	1.700
Total Savings	6.600	6.000	3.600	0.300	1.200
Cumulative	6.600	12.600	16.200	16.500	17.700

- 6.13. The savings from this Review are substantial. While there is a downside in terms of the additional interest costs, a recurring saving can still be delivered for the Council without the need to cut other Council services. If this is accepted, then this could help address the Budget Gap by £6.6 million in 2025/26, and by £16.2 million by 2027/28. If it is not accepted, higher levels of cuts will be required to be agreed through the savings pack. In terms of the Service Concessions savings, these will happen as a result of the required change in accounting practice.
- 6.14. Table 7 below shows the potential savings from the Loans Fund Review / Service Concessions alongside the Budget Gap for the years 2025/2026 to 2027/2028 for reference.

Table 7 – Potential Savings from the Loans Fund Review

	2025 / 2026 £m	2026 / 2027 £m	2027 / 2028 £m	Total £m
Budget Gap 2025/2026 to 2027/2028 <i>(June 2024, Executive Committee)</i>	22.355	24.515	30.405	77.275
Less Council Tax and Utilities <i>(Table 1 / Section 4.8)</i>	5.900	-	-	-
Revised Budget Gap	16.455	24.515	30.405	71.375
Loans Fund and Service Concessions Savings <i>(Table 6)</i>	(6.600)	(6.000)	(3.600)	(16.200)

- 6.15. **Loans Fund Review In-Year Underspends:** As the proposal is to take the Loans Fund Review savings across the 3 years of the Medium-Term Budget Strategy (2025/2026 to 2027/2028), there will also be in-year underspends that could be used to further support the Budget Strategy in future years. These are shown in Table 5 in Appendix 4 (Annex B). This table also shows an in-year underspend of £7.246 million in 2024/2025 which is the result of a reduction in repayments of external debt due to the timing of the original Loans Fund Review being implemented, and also reflects reduced costs as a result of the timing of borrowing required for various projects within the Capital Programme. The total underspend available across the 4 years (2024/2025 to 2027/2028) is £26.495 million.
- 6.16. There is the option to use these underspends to help address the Budget Gap in future years, being mindful of the fact that the use of these underspends needs to be reinstated into the next year. It is proposed that we use £13.000 million of the loan charges underspend in the final year of this 3-year Strategy, which will require reinstatement into 2028/2029. This is illustrated in Table 8.

Table 8 – Use of Underspends to Support the Budget Gap Beyond 2027/2028

	2027 / 2028 £m	2028 / 2029 £m	2029 / 2030 £m	2030 / 2031 £m
Revised Budget Gap (Table 7) <i>(later years for illustration)</i>	30.405	10.000	10.000	10.000
Less Loans Fund Review / Service Concessions (IFRS 16) (Table 6)	(3.600)	(0.300)	(1.200)	-
Budget Gap after Loans Fund and Service Concessions	26.805	9.700	8.800	10.000
Use of Underspends	(13.000)	(9.000)	(4.495)	0.000
Reinstatement of Underspends	-	13.000	9.000	4.495
Budget Gap after Underspends	13.805	13.700	13.305	14.495

6.17. Assumptions have been made on a base Budget Gap in each of the years 2028/2029 to 2030/2031, for illustration purposes (£10 million).

6.18. Table 8 shows that using the £13.000 million in the last year of the current 3-year Strategy (2027/2028) reduces the Budget Gap to £13.805 million in that year. The impact of reinstating the use of £13.000 million into 2028/2029 and how that can be managed by using the remaining loan charges underspend until 2030/2031, is also demonstrated in Table 8. The use of the underspends and their reinstatement has no impact on the Budget Gap overall but gives the benefit of being able to smooth the savings requirement across years.

7. Three Year Budget Position – 2025/2026 to 2027/2028

7.1. As mentioned at section 3.1, the Budget Gap for the three-year period 2025/2026 to 2027/2028 was previously reported as £77.275 million. Taking into account the budget reduction for 2025/2026 for Council Tax and Utilities, the Revised Budget Gap for the three-year period is now £71.375 million, as illustrated in Table 9. Table 9 also shows the savings presented in Appendix 1 for illustration, as well as the options available from the Loans Fund Review / Service Concessions (IFRS16) (Table 7, section 6.14) and the proposed use of underspends (Table 8, section 6.16).

Table 9: Revised Three Year Budget Gap

	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Budget Gap (Executive Committee, June 2024)	22.355	24.515	30.405	77.275
Reduction for Council Tax and Utilities <i>(Table 1 / section 4.8)</i>	(5.900)			(5.900)
Revised Budget Gap	16.455	24.515	30.405	71.375
Savings Presented <i>(Appendix 1)</i>	(10.663)	-	-	(10.663)
Loans Fund and Service Concessions Savings <i>(Table 7)</i>	(6.600)	(6.000)	(3.600)	(16.200)
Use of Loans Fund Review Underspends <i>(Table 8)</i>			(13.000)	(13.000)
Total	(0.808)	18.515	13.805	31.512

7.2. £71.375 million budget gap over 3 years still represents a significant Budget Gap to address over this time period and should be reflected on when considering budget decisions for 2025/2026. As illustrated in Table 9 if proposals around savings and loans fund review were accepted , the budget gap remaining for the three years would be £31.512 million

8. Summary of the 2025/2026 Budget Position including Options and Next Steps

8.1. The Original Budget Gap for 2025/2026 was £22.355 million (section 3.1). Reductions in the Budget required for Utilities along with increased income from Council Tax reduce the Budget Gap by £5.900 million (section 4.8, Table 1). This results in a Revised Budget Gap of £16.455 million.

8.2. The Savings pack in Appendix 1 totals £10.663 million (section 5.2, Table 2). This is presented for Members' consideration.

8.3. As noted in section 5.4, Education Resources have identified the potential to remove additionality teachers that are over and above their core staffing model. This could have helped address the Budget Gap by £2.300 million in 2025/2026. No proposal has been included in the savings pack in Appendix 1, on the basis that it affects teacher numbers and there remains uncertainty regarding the potential impact on the Government Grant if teacher numbers were to be reduced (section 5.7).

8.4. Section 6 of this paper includes savings proposals in relation to the Loans Fund Review / Service Concessions. The proposal to remove Additional Voluntary Repayments in terms of loan debt, and to apply IFRS16 to the Council's Service Concession arrangements (PPP) would help address the Budget Gap by £6.600 million in 2025/2026. This position includes the additional interest costs due when not making the Additional Voluntary Repayments (section 6.7). This proposal would not affect core services of the Council.

8.5. The potential impact of the Loans Fund Review / Service Concessions proposals beyond 2025/2056 are also detailed in section 6. This includes proposals in relation to the use of underspends generated.

8.6. Table 10 shows the revised Budget Gap of £16.455 million for 2025/2026, after taking account of the budget reductions for Utilities and Council Tax budget (section 4.8 / Table 1). The Loans Fund Review / Service Concessions proposals (section 6.12) and the saving proposals of £10.663 million (Appendix 1), are presented below Table 10 for information.

The 3-year Budget Gap of £71.375 million (Table 9, section 7.1) represents a significant Budget Gap to address over this time period and should be reflected on when considering budget decisions for 2025/2026.

Table 10 – Impact on the Budget Gap

	2025/2026 Savings £m
Original Budget Gap	22.355
Less Council Tax and Utilities <i>(Table 1, section 4.8)</i>	(5.900)
Revised Budget Gap	16.455
Total Savings (Appendix 1)	(10.663)
Savings from Loans Fund Review / Service Concessions <i>(Table 6, section 6.12)</i>	(6.600)

Total	(0.808)
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- 8.7. **Council Tax:** The ability to increase Council Tax as a lever to manage the Budget Gap is an alternative to making savings. Each 1% increase in Band D would generate successive amounts of £1.580 million. It should be noted that in arriving at the original Budget Gap of £77.275 million across the 3 years (£23.225 million for 2025/2026), no account has been taken of any potential increase in Council Tax. Any increase in Council Tax will help address the Budget Gap.
- 8.8. It should be noted that South Lanarkshire continues to have the lowest level of Band D council tax in mainland Scotland at £1300.81. The average for mainland Scotland is £1428.36.
- 8.9. Members can choose to freeze Council Tax or, increase Council Tax Band D. The impact of a number of percentage increases is shown in Table 11, as an illustration.

Table 11 – Council Tax Increases

Percentage Increase	Band D Council Tax £	Annual Increase £	Monthly Increase (over 10 Payments) £	Decrease in Budget Gap £m
0%	1300.81	-	-	-
1%	1313.81	13.00	1.30	1.580
5%	1365.85	65.04	6.50	7.900
10%	1430.89	130.08	13.00	15.800

- 8.10. **Timeline:** The timeline for the Budget process, is detailed in Table 12.

Table 12 – Proposed Timeline

	Timeline
Budget Consultation	13 November 24 – mid January 25
Receive Local Government Settlement for 2025/2026	12 December 2024 <i>(estimate)</i>
Update the Budget Strategy for Members <i>(post Settlement)</i>	January 2025
Set Council Budget for 2025/2026 and Strategy for 2026/2027 and 2027/2028	February 2025

- 8.11. **Budget Consultation and Context:** The financial challenges being faced by the Council and the operational changes that transformational change will bring, mean that clear communication is essential. The communication and consultation process for the 2024/2025 Budget worked well, and a similar approach will be implemented for the 2025/2026 Budget.
- 8.12. With regard to consultation with the public, the consultation process will commence following this meeting of the Executive Committee (13 November 2024), and will run for two months, until mid-January 2025. Initial Budget communications have commenced and will continue during the period of the budget consultation. These communications explain the Council's financial position and give context to the level of savings required. The consultation itself will start by setting the scene for the Budget and again will provide the financial backdrop in relation to the £77.275 million Budget Gap across the 3-year period and will provide context to the proposals that the public will be asked to comment on. The public will then be asked for a view on each of the individual saving proposals specifically. Once the consultation process is complete, feedback on the savings consultation will be presented to Members for their consideration.
- 8.13. Meetings are taking place with the Trade Unions to advise of the Budget process and the savings exercise that is ongoing.

9. Reinstatement

- 9.1. Table 13 re-presents the year of reinstatement of the impact of any previous year Budget decisions (previously presented in June 2024). Importantly, as the reinstatements fall within the years 2026/2027 and 2027/2028, then they are included in the Budget Gap for those years previously quoted in the June 2024 paper to Executive Committee on the Budget Strategy (the total Budget Gap of £77.275 million).

Table 13: Temporary Solutions / Reinstatement

	Year of Adjustment		
	2026 / 2027 £m	2027 / 2028 £m	2028 / 2029 £m
2025/2026 Corporate Solutions			
Service Concessions			
One-off use of Reserves (2025/2026) Reinstated into 2026/2027 <i>(Executive Committee, November 2022)</i>	15.100	-	-
Reduction in Employers' Pension Contribution Reinstated into 2026/2027 <i>(Executive Committee, November 2023)</i>	23.500	-	-
<i>Offset by further use of Reserves in 2026/2027 (reinstated in 2027/2028)</i>	(17.700)	17.700	
2024/2025 to 2026/2027 Solutions			
Use of 2023/2024 Probable Outturn Monies £6.000 million used across 2024/2025 to 2026/2027 at £2.000 million per annum <i>(Executive Committee, November 2023)</i>	-	2.000	-
Reduction in LVJB Requisition Reinstatement in 2027/2028 of temporary reduction.	-	0.200	-
Total Temporary Solutions	20.900	19.900	-

9.2. Table 13 shows that the last year of reinstatement monies is 2027/2028 – there is no requirement to reinstate temporary solutions beyond the period of this financial strategy. This Table does not assume the use or reinstatement of the Loans Fund Review Underspend (proposed in section 6.14 / Table 7).

10. Employee Implications

- 10.1. The employee implication of each of the proposed savings is detailed in Appendix 1. 115.35 FTE posts are proposed to be removed as part of the savings proposals. This affects 191 employees.
- 10.2. The process of achieving savings where employees will be affected will involve a review of vacant posts, voluntary redeployment, and where appropriate the application of the Council's Switch 2 policy to support displaced employees.

11. Financial Implications

- 11.1. The financial implications are summarised within the report.

12. Climate Change, Sustainability and Environmental Implications

- 12.1. As agreed at the Climate Change and Sustainability Committee (20 September 2023), a Sustainability Impact Assessment will be completed in respect of the Revenue Budget process. The impact assessment process aims to ensure that we continue to ensure that factors related to carbon reduction, climate change adaptation and the wider principles of sustainable development are included within Revenue Budget process. This assessment of each saving and the budget strategy will form part of the Integrated Impact Assessment (refer section 14).

13. Other Implications

- 13.1. The Budget Strategy approved in June 2024 is a key tool in managing a number of key risks which directly impact on the money available to deliver Council objectives.
- 13.2. The main risk area, where the Council has made assumptions which have a significant impact on the Budget going forwards, are on the level of grant which we will receive, as well as any general pay, demand or price increases / inflation assumptions currently unknown. These have been estimated, as far as possible and are included in the Budget Gap referred to in this paper. Also, the level of new build properties and, therefore, Council Tax Income generation is based on best information at the time of writing. Any movement in these assumptions would be a risk to the Budget.
- 13.3. Specific risks for the Budget are detailed in Appendix 5. These detail specifically the areas of uncertainty in the Budget. It should be noted that any movement in these areas could be detrimental to the Council's financial position and could increase the Budget Gap.
- 13.4. **Level of Support Provided to the Integration Joint Board (IJB) and South Lanarkshire Leisure and Culture SCIO (SLLC):** The Council's Budget Strategy for 2025/2026 to 2027/2028 at this stage assumes no additional allocation of monies from the Council to the IJB. It is for the IJB and SLLC to produce their own balanced budgets.

13.5. For SLLC, a saving of £1.000 million has been assumed in their utilities costs and is as part of the savings pack proposed in Appendix 1. This budget is held by the Council so there is no impact of this saving on the SLLC Management Fee. No further savings have been requested of SLLC at this time.

14. Integrated Impact Assessment and Consultation Requirements

14.1. Integrated Impact Assessments have been undertaken for the individual Savings and the Budget as a whole. These have been issued to Members to assist in the decision-making process and will be updated following the Budget Consultation (timescales detailed in section 8.12).

Jackie Taylor

Executive Director (Finance and Corporate Resources)

31 October 2024

Link(s) to Council Values/Priorities/Outcomes

◆ Accountable, Effective, Efficient and Transparent

Previous References

◆ Executive Committee, 26 June 2024

List of Background Papers

None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:
Jackie Taylor, Executive Director, Finance and Corporate Resources
Ext: 4637 (Tel: 01698 454637) E-mail : jackie.taylor@southlanarkshire.gov.uk

Approved Savings

Reference	Service	Name and Brief Description of Saving	FTE (25/26)	Saving 25/26 £m
APP01	Facilities, Waste and Grounds	<p>Waste Permits</p> <p>The Executive Committee, on 26 June 2024, approved the proposal to introduce a charge for the uplift of burgundy bins containing garden waste.</p> <p>The cost of the permit is £45 per annum and will allow a resident to present one burgundy bin containing garden waste on each scheduled collection day until the end of that financial year.</p> <p>Net income, after deducting costs of the Service, is £0.500 million in 2025/2026 with an additional income in 2026/2027 of £0.875 million.</p>	-	0.500
Total Approved Savings			-	0.500

Management & Operational Savings

Reference	Service	Name and Brief Description of Saving	FTE (25/26)	Saving 25/26 £m												
M&O01	All	<p>Procurement</p> <p>This proposal sees efficiencies and savings generated through a focus on demand management opportunities (buying less or not at all), alternative product specifications and new routes to market.</p> <p>Opportunities have been identified for inclusion in the 2025/2026 budget strategy outlined below:</p> <p>The total savings proposed for 2025/2026 is £0.955 million.</p>	-	0.955												
M&O02	All	<p>Overtime</p> <p>Resources have been working in conjunction with Personnel Services to prepare action plans to meet the outcomes associated with reducing overtime across the Council.</p> <p>Through removing enhanced overtime expenditure and reducing and containing plain time overtime expenditure, savings of £0.364m can be realised in 2025/2026. This is summarised across Resources in the table below.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Resource / Service</th> <th style="text-align: left;">2025/2026 Saving</th> </tr> </thead> <tbody> <tr> <td>Community and Enterprise</td> <td>£0.125m</td> </tr> <tr> <td>Finance and Corporate</td> <td>£0.030m</td> </tr> <tr> <td>Housing and Technical</td> <td>£0.150m</td> </tr> <tr> <td>Social Work</td> <td>£0.059m</td> </tr> <tr> <td>Total</td> <td>£0.364m</td> </tr> </tbody> </table>	Resource / Service	2025/2026 Saving	Community and Enterprise	£0.125m	Finance and Corporate	£0.030m	Housing and Technical	£0.150m	Social Work	£0.059m	Total	£0.364m	-	0.364
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Total	£0.364m															

Management & Operational Savings

Reference	Service	Name and Brief Description of Saving	FTE (25/26)	Saving 25/26 £m
M&O03	All	<p>Management Structures</p> <p>This proposal considers spans of control across all Resources in order to review the number of management and supervisory posts. This is to ensure consistency in the balance of managers and front-line staff as well as to identify and remove any anomalies with direct Grade to Grade reporting.</p> <p>Services were identified which currently operate with lower spans of control than what is recommended by the Preferred Operating Model. In these service areas, efficiencies can be realised by aligning more closely with the model, while also ensuring consistency across Resources in terms of management workload and responsibility. This will realise savings totalling £1.000m in 2025/2026.</p> <p>It is anticipated that this will affect 16.85 FTE.</p>	16.85	1.000
M&O04	Property	<p>Reduce Corporate Accommodation</p> <p>The closure of Montrose House has allowed savings of £0.250m to be realisable in 2025/2026 from property costs associated with the building.</p> <p>In addition, efficiencies will be realised in 2025/2026 from the lease agreement with NHS for occupation of Brandongate, Hamilton. A saving of £0.112m is achievable from the lease terms including income from a share of rent, service charges and cleaning costs.</p> <p>The total savings proposed for 2025/2026 is therefore £0.362 million.</p>	-	0.362
M&O05	All	<p>Salary Sacrifice Shared Cost Additional Voluntary Contributions (SCAVCs)</p> <p>Local Government Pension Scheme (LGPS) members are currently permitted to contribute to a standard Additional Voluntary Contribution (AVC) scheme and receive Income Tax relief on their contributions.</p>	-	0.088

Management & Operational Savings

Reference	Service	Name and Brief Description of Saving	FTE (25/26)	Saving 25/26 £m
		<p>An employer can also decide to contribute to the employee's AVC arrangement, this is known as a shared cost AVC (SCAVC). There are financial benefits to introducing a salary sacrifice SCAVC scheme as both the employee and the employer make savings on National Insurance (NI) contributions.</p> <p>Based on the current number of employees who pay AVCs, there will be a net saving to the Council of £0.088m per annum from adopting the scheme from 2025/2026.</p>		
M&O06	All	<p>South Lanarkshire Leisure and Culture Utilities</p> <p>Recent information has suggested a downward trend in prices in 2024/2025. The Council is a member of the buying consortium who purchase wholesale energy in advance, on behalf of ourselves and other public sector bodies. The price indications specifically for electricity purchased for the next couple of years indicates further price reductions beyond that assumed for 2024/2025.</p> <p>This allows an estimated saving of £1.000 million in 2025/2026 in relation to South Lanarkshire Leisure and Culture utility costs.</p>	-	1.000
Total Management & Operational Savings			16.85	3.769

Savings for Approval

Council Wide

Reference	Service	Name and Brief Description of Saving	FTE (25/26)	Saving 25/26 £m
COR01	All	<p>Council Charges</p> <p>The cross-cutting review of Council charges has looked at all charges made by the Council and the basis for their charge, specifically those not recovering their costs. It has also, considered whether the increase in our charges over recent years has kept in line with the trend in inflation.</p> <p>This exercise identified that where an inflationary rise has been applied over the last 5 years this has not followed actual UK inflation. In general, we have applied around 16.8% whereas inflation across the UK has been closer to 33.6%. To bring us in line approximately 14.4% would be required to be applied in a single year. It is therefore proposed to apply an inflationary increase of 14.4% across all charges that are not statutory or covered by other reviews plus 1.5% year on year inflation to calculate new charges for 2025/2026. This would generate £0.190m of additional income.</p> <p>In addition, it is proposed to apply an inflationary increase across parking tariffs from 80p to £1 for the lower charge and rising by an equivalent percentage increase across longer stay parking tariffs and season tickets. This would generate £0.185m of additional income.</p> <p>The total savings proposed for 2025/2026 is therefore £0.375 million.</p>	-	0.375
Total Council Wide			-	0.375

Community & Enterprise Resources

Reference	Service	Name and Brief Description of Saving	FTE (25/26)	Saving 25/26 £m
CER01	Enterprise and Sustainable Development	<p>Christmas Events (Re-presented)</p> <p>This option would see a budget reduction due to removing the Christmas Switch-On events. The Council currently supports six switch-on events across South Lanarkshire, in Hamilton, East Kilbride, Rutherglen, Cambuslang, Lanark and Carluke. This proposal would remove the events programme. There would be no council provided Christmas events in town centres.</p> <p>This savings proposal would remove all the budget for this area (£0.045m).</p>	-	0.045
CER02	Enterprise and Sustainable Development	<p>Christmas Trees and Lighting (Re-presented)</p> <p>The proposal is a budget reduction to rationalise trees and festive lighting to eight main geographical areas: Hamilton, East Kilbride, Rutherglen, Carluke, Blantyre, Cambuslang, Larkhall and Lanark.</p> <p>This savings proposal would remove all the budget for this area (£0.037m).</p>	-	0.037
CER03	Grounds	<p>Weedkilling (Re-presented)</p> <p>This proposal will reduce weedkilling from 2 applications to one per annum.</p> <p>The reduction applies across all current areas of hardstanding, shrub beds and grass edges. There will be greater weed growth over the growing season.</p> <p>This will affect 15 employees (14.5 FTE).</p>	14.5	0.510
CER04	Grounds	<p>Support for Gala Days (Re-presented)</p> <p>This proposal would see the removal of grounds staff supporting gala days. This includes costs of bunting and the costs of overtime for staff supporting gala days.</p>	-	0.055

Community & Enterprise Resources

Reference	Service	Name and Brief Description of Saving	FTE (25/26)	Saving 25/26 £m
CER05	Streets	<p>Mechanical Sweeping – Small (Re-presented)</p> <p>There would also be a reduction in the number of smaller Swingo vehicle used on footpaths, shop fronts and town centres and some roads within housing areas and industrial estates. (27% reduction in vehicles). This will mean less street sweeping. Remaining vehicles will be targeted to high footfall areas.</p> <p>Smaller fleet will mean means less resilience in ad hoc / urgent response situations.</p> <p>This will affect 6 employees (6 FTE).</p>	6.0	0.285
CER06	Streets	<p>Litter collection (Re-presented)</p> <p>This proposal would see a 10% reduction in litter picking and bin emptying. The saving would include staffing and fleet vehicles. Bin infrastructure is being looked at to reduce numbers of bins but increase capacity.</p> <p>This will affect 10 employees (10 FTE).</p>	10.0	0.255
CER07	Roads, Transportation and Fleet	<p>Precautionary Footway Gritting</p> <p>We currently treat 'precautionary' footways ahead of freezing conditions.</p> <p>Beyond that our approach is reactive, treating 'accessibility' and 'other' routes during periods of extended severe weather as resources allow.</p> <p>Currently, we treat 3.38% of our footways on a precautionary basis and this proposal would involve a cessation of the current practice to instead involve reactive footway treatment only in response to severe conditions. There would be potentially increased risks of accidents occurring due to potential falls on slippery pavements.</p>	-	0.300

Community & Enterprise Resources

Reference	Service	Name and Brief Description of Saving	FTE (25/26)	Saving 25/26 £m
		It is understood that several other Scottish local authorities take this approach including Renfrewshire, North Ayrshire, Inverclyde, Moray, Argyll & Bute, West Lothian, Fife, and Perth & Kinross.		
CER08	Roads, Transportation and Fleet	<p>Carriageway Gritting The Council's core carriageway gritting service treats our 'precautionary' routes prior to the forecast onset of freezing conditions or snow. Currently, low season routes are treated during winter low season (normally October and April), with more comprehensive high season routes being treated from November to end of March. High season routes equate to circa 49% of the road network and low season routes equate to circa 30% of the road network.</p> <p>The Scottish average is 45% and indicates that we presently deliver an above average level of service. This proposal would be to move to the Scottish average.</p> <p>A change to treating only the Scottish average during high season would inevitably see some roads removed from our routes leading to an associated risk of increased accidents, however we would still be treating 45% of the network (a reduction of 4%).</p>	-	0.130
CER09	Roads, Transportation and Fleet	<p>Grit Bins The provision of grit bins has a limited effectiveness on snow and ice clearance, however, to facilitate self-help we provide over 3,000 grit bins across our communities.</p> <p>In severe weather these bins empty quickly and demands for refilling peak. Refilling exercises are a substantial operation and frequently require successive visits across locations. This is a laborious, costly, and very resource intensive operation. The Service feel that this is not the most productive of the winter service provision.</p> <p>This proposal would be to reduce / rationalise the number of grit bins by 25% across our communities through the development of tighter criteria for the placing of grit bins. These criteria will continue to</p>	-	0.065

Community & Enterprise Resources

Reference	Service	Name and Brief Description of Saving	FTE (25/26)	Saving 25/26 £m
		take account of the following factors: roads below a specified gradient won't qualify for a grit bin, and the distance from the nearest grit bin will also be taken into consideration.		
CER10	Enterprise and Sustainable Development	<p>Business Support</p> <p>One-off income relating to Business Support activity has been identified amounting to £2.251m. It is proposed that this income is used to fund revenue costs for a re-aligned Business Support Team including four existing posts within Enterprise and Sustainable Development Service where funding comes to an end in March 2025. The income streams will also fund Business Growth Grants, Expert Help Consultancy and Inward Investment for a 3-year period.</p> <p>The Business Support Team will undertake activities in a different way where Expert Help Consultancy Support will be provided via Business Gateway which together with the cessation of Micro Business Grants, will provide a saving of 1 x Grade 3 post (currently vacant). The criteria for Business Growth Grants have also been strengthened to ensure the Grants achieve maximum outcomes. The Property Advisory Service will be undertaken by the newly integrated Inward Investment Team.</p> <p>There is also a potential income stream from Business Loans Scotland (BLS). The Scottish Government has advised that there will be no funding for 2024/2025 and an available option for Local Authorities is to withdraw from BLS. For South Lanarkshire Council, this option would release at least £0.500m.</p> <p>The Review has identified that a saving of £0.409m can be made from core funding on a temporary basis (3 years). The one-off income can be used to cover the cost of the revised service delivery model.</p> <p>Reinstatement of £0.353m will be required in 2028/2029. When the one-off income comes to an end, the Service will be required to align ongoing activities to accommodate this. This relates to inward</p>	1.0	0.409

Community & Enterprise Resources

Reference	Service	Name and Brief Description of Saving	FTE (25/26)	Saving 25/26 £m				
		investment and business growth grants and identifying additional funding to support the wider Enterprise and Sustainable Development posts.						
CER11	Facilities, Waste and Grounds	<p>Grounds / Grass Cutting</p> <p>This proposal would see a reduction in the grass cutting specification for low and high amenity areas.</p> <p>The Grounds Service maintains all Council owned open space - 55 public parks, including 11 District Parks. Grounds maintenance work is seasonal and grass cutting is undertaken during the summer months.</p> <p>The proposal is to reduce the frequency of grass cutting as per the table below:</p> <table border="1"> <thead> <tr> <th>High Amenity</th> <th>Low Amenity</th> </tr> </thead> <tbody> <tr> <td>14 cuts (from 18)</td> <td>7 cuts (from 14)</td> </tr> </tbody> </table> <p>Low amenity areas include public open space, residential grassed areas and industrial areas. This category has the vast majority of land at approximately 11 million m². Grass is cut in low amenity areas 14 times per year and collection only occurs in a small number of these areas.</p> <p>High amenity areas cover approximately 635,000 m² and include cemeteries, high footfall areas, public buildings, sports pitches and country park lawn areas. These areas are cut 18 times per year and the grass is collected as part of the service. This proposal does not include cemeteries.</p> <p>This will result in a saving of £1.020m in 2025/2026. It will mean that grass will be much longer between cuts and the general maintenance appearance will differ from current specification. Grass</p>	High Amenity	Low Amenity	14 cuts (from 18)	7 cuts (from 14)	36.0	1.020
High Amenity	Low Amenity							
14 cuts (from 18)	7 cuts (from 14)							

Community & Enterprise Resources

Reference	Service	Name and Brief Description of Saving	FTE (25/26)	Saving 25/26 £m
		<p>arisings will be left on the surface of those areas cut as grass collection will only remain in cemeteries.</p> <p>This saving will mean an estimated reduction of 36 FTE (impacting up to 72 employees).</p>		
CER12	Facilities, Waste and Grounds	<p>School Meals</p> <p>This proposal would see Primary School and Secondary School meal charges rise by 21% and 18% respectively for the year 2025/2026.</p> <p>In 2023/2024, the Service delivered 2.9 million Primary School meals and 1.4 million Secondary School meals. Over recent years, school meal prices have been subject to small inflationary increases; however, South Lanarkshire Council's charges, which are amongst the lowest in Scotland, haven't kept up with the level of increases experienced in food costs and other operational costs.</p> <p>Based on 2023/2024 actual costs, the cost of production of a Primary School Meal is £3.52, and £3.69 for Secondary Schools. South Lanarkshire Council currently charges £2.17 for Primary School meals and £2.40 for Secondary School meals.</p> <p>In addition to this, in August 2021, Universal Free School Meals (UFSM) was introduced for P4 and in January 2022 extended to P5 primary school pupils. Further roll out of the UFSM programme will continue in February 2025 to pupils in P6/P7 who are in receipt of the Scottish Child Payment. It is unclear when UFSM will be rolled out to remaining primary school pupils.</p> <p>In order to minimise the impact of necessary increased charges, the proposed price increases would be implemented from 2025/2026 as shown overleaf:</p>	-	0.400

Community & Enterprise Resources

Reference	Service	Name and Brief Description of Saving	FTE (25/26)	Saving 25/26 £m																								
		<table border="1"> <thead> <tr> <th></th> <th>Current Charge</th> <th>Proposed Charge</th> </tr> </thead> <tbody> <tr> <td>Primary</td> <td>£2.17</td> <td>£2.62</td> </tr> <tr> <td>Secondary</td> <td>£2.40</td> <td>£2.83</td> </tr> </tbody> </table> <p>It is anticipated that this proposal will generate additional income of £0.400 million in 2025/2026.</p> <p>There is the option to increase charges further in future years to better reflect the cost of delivering the service.</p> <p>A summary of school meal pricing across Scotland is shown in the table below.</p> <table border="1"> <thead> <tr> <th></th> <th>SLC</th> <th>Scottish average</th> <th>Highest</th> <th>Lowest</th> </tr> </thead> <tbody> <tr> <td>Primary</td> <td>£2.17</td> <td>£2.30</td> <td>£3.25</td> <td>£1.08</td> </tr> <tr> <td>Secondary</td> <td>£2.40</td> <td>£2.45</td> <td>£3.30</td> <td>£1.08</td> </tr> </tbody> </table> <p>Full details of school meal prices for 2024 are detailed in Appendix 2.</p>		Current Charge	Proposed Charge	Primary	£2.17	£2.62	Secondary	£2.40	£2.83		SLC	Scottish average	Highest	Lowest	Primary	£2.17	£2.30	£3.25	£1.08	Secondary	£2.40	£2.45	£3.30	£1.08		
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CER13	Facilities, Waste and Grounds	<p>Building Cleaning (Schools)</p> <p>This proposal concerns reducing the cleaning specification for schools.</p> <p>Facilities Services provides a building cleaning service to all nursery, primary and secondary schools on behalf of Education Resources. 717 (314 FTE) employees deliver the cleaning service across the school estate based on a cleaning specification consisting of a number of tasks and appropriate frequencies.</p>	25.0	0.250																								

Community & Enterprise Resources

Reference	Service	Name and Brief Description of Saving	FTE (25/26)	Saving 25/26 £m																														
		<p>The Service is a member of APSE Building Cleaning performance network and participates in an annual benchmarking exercise across Scotland and the broader UK. One of the key measures is the cleaning productivity rates and in 2022/23, South Lanarkshire Council scored the third highest rate in Primary Schools and second highest in Secondary Schools within the family group, demonstrating that resources are being utilised efficiently. APSE data is shown in the table below with the productivity rate measure in square metres cleaned per hour.</p> <table border="1"> <thead> <tr> <th></th> <th>South Lanarkshire</th> <th>Family Group</th> <th>National</th> </tr> </thead> <tbody> <tr> <td>Primary school</td> <td>208</td> <td>174</td> <td>190</td> </tr> <tr> <td>High school</td> <td>246</td> <td>205</td> <td>197</td> </tr> </tbody> </table> <p>A summary of the proposed reductions is shown in the table below.</p> <table border="1"> <thead> <tr> <th>Task/ area</th> <th>Current frequency</th> <th>Proposed frequency</th> </tr> </thead> <tbody> <tr> <td>Damp dusting</td> <td>4 days per week</td> <td>2 days per week</td> </tr> <tr> <td>High level dusting</td> <td>4 weekly</td> <td>Monthly</td> </tr> <tr> <td>Spot cleaning of walls</td> <td>5 days per week</td> <td>Monthly</td> </tr> <tr> <td>Electrostatic spraying</td> <td>Weekly</td> <td>Monthly</td> </tr> <tr> <td>Staff bases, meeting rooms, medical rooms</td> <td>4 full cleans per week</td> <td>One full clean per week with daily check clean</td> </tr> </tbody> </table>		South Lanarkshire	Family Group	National	Primary school	208	174	190	High school	246	205	197	Task/ area	Current frequency	Proposed frequency	Damp dusting	4 days per week	2 days per week	High level dusting	4 weekly	Monthly	Spot cleaning of walls	5 days per week	Monthly	Electrostatic spraying	Weekly	Monthly	Staff bases, meeting rooms, medical rooms	4 full cleans per week	One full clean per week with daily check clean		
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Community & Enterprise Resources

Reference	Service	Name and Brief Description of Saving	FTE (25/26)	Saving 25/26 £m																
		<p>It is anticipated these reductions in cleaning specification would generate a financial saving of £0.500m phased over a 2-year period (£0.250m in 2025/2026 and £0.250m in 2026/2027), reflecting the implementation from August 2025.</p> <p>This would see a reduction of 25 FTE (62 employees). The reduction in cleaning specification will mean a reduction of 925 cleaning hours across all schools. This will likely require reprofiling/changing hours across the whole estate and potentially affect 717 cleaning employees.</p>																		
CER14	Facilities, Waste and Grounds	<p>Income Generation (Bereavement)</p> <p>This proposal would see the implementation of an above inflationary price increase of 10% across all Bereavement Service charges.</p> <p>The Grounds Bereavement Service provides a dignified and sensitive burial and cremation service, which over recent years, has seen Service charges subject to inflationary increases.</p> <p>In order for pricing to remain competitive and appropriate, a benchmarking exercise was carried out for the year 2024/2025, reviewing Scottish Bereavement Service charges. The table below, shows how the current and proposed service charges compare to the average price charged by 5 of South Lanarkshire Council's neighbouring authorities for the year 2024/25.</p> <table border="1" data-bbox="600 1088 1749 1332"> <thead> <tr> <th>Service Line</th> <th>SLC Price (2024/2025)</th> <th>SLC Proposed Price (2025/2026)</th> <th>Neighbouring Council Average Price (2024/2025)</th> </tr> </thead> <tbody> <tr> <td>Cremation</td> <td>£857</td> <td>£943</td> <td>£953</td> </tr> <tr> <td>Right of Burial</td> <td>£1,387</td> <td>£1,526</td> <td>£1,316</td> </tr> <tr> <td>Coffin Internment</td> <td>£1,013</td> <td>£1,114</td> <td>£1,230</td> </tr> </tbody> </table>	Service Line	SLC Price (2024/2025)	SLC Proposed Price (2025/2026)	Neighbouring Council Average Price (2024/2025)	Cremation	£857	£943	£953	Right of Burial	£1,387	£1,526	£1,316	Coffin Internment	£1,013	£1,114	£1,230	-	0.250
Service Line	SLC Price (2024/2025)	SLC Proposed Price (2025/2026)	Neighbouring Council Average Price (2024/2025)																	
Cremation	£857	£943	£953																	
Right of Burial	£1,387	£1,526	£1,316																	
Coffin Internment	£1,013	£1,114	£1,230																	

Community & Enterprise Resources

Reference	Service	Name and Brief Description of Saving	FTE (25/26)	Saving 25/26 £m
		Given the level of proposed increase, an assumed small reduction in demand has been factored into the overall additional income. The proposed increase of 10% would generate additional income of £0.250m.		
Total Community and Enterprise Resources			92.5	4.011

Education Resources				
Reference	Service	Name and Brief Description of Saving	FTE (25/26)	Saving 25/26 £m
EDR01	Early Years/ Primary/ Secondary/ ASN	<p>Per Capita / Devolved School Management Spend (<i>Re-presented</i>)</p> <p>This saving proposes a reduction in the per capita allocation to Early Learning and Childcare (ELC) / primary and secondary schools (i.e. the amount we provide to establishments to spend per pupil).</p> <p>Total “per capita” spend is £3.5m. This allowance has been subject to savings in recent years, particularly as part of procurement efficiencies. The consequences would be that the ability for establishments to spend on classroom materials and resources would be reduced.</p> <p>A 14% reduction in per capita allocation of £0.480m will give a per pupil allocation of £21.81 primary, £90.90 secondary, £723.55 ASN and £74.69 ELC based on census 2023 pupil numbers.</p>	-	0.480
EDR02	Secondary	<p>Mentoring and Learner Journeys</p> <p>The South Lanarkshire Council Enhanced Personalised Support Programme (EPSP) operates across all 17 mainstream Secondary schools and Kear Campus School. Its purpose is to support vulnerable young people in S1-S4 to attain and to remain in education beyond S4 and to move into a positive destination.</p> <p>The EPSP currently has 4 mentors (4.0FTE) each working one day per week per school to provide personalised support for identified young people with their learning and pathways.</p> <p>There have been recent changes to the existing MCR Pathways model, with coordinators able to work across more than one school. As a result of these changes, the EPSP programme can be removed on the basis that the reduction in service is mitigated by the extension of the MCR programme. A saving of £0.191m is achievable in 2025/2026.</p>	4.0	0.191

Education Resources				
Reference	Service	Name and Brief Description of Saving	FTE (25/26)	Saving 25/26 £m
EDR03	Support	<p>Primary School Breakfast Clubs</p> <p>Within South Lanarkshire, primary school breakfast club provision operates from 8.15am to 8.45am and is currently universally free of charge to all. This allows children the opportunity for a healthy breakfast and a good start to the school day.</p> <p>It is recognised that for many parents this service also acts as childcare allowing them to get to work. The majority of other councils who operate breakfast clubs charge a fee.</p> <p>It is proposed that in order to retain the service, rather than to reduce or remove it, that a charging policy is implemented.</p> <p>The proposal is to charge a flat rate of £1.50 per child, with an exemption being applied where the child is entitled to free school meals by financial assessment. This would potentially generate income of up to £0.590m in a full year.</p> <p>However, this would require the introduction of an administrative process, administered by 1 FTE Grade 1, costing £0.030m.</p> <p>The full year net annual saving would then equate to £0.560m, however if implemented from August 2025, there will be a part year saving of approximately £0.350m in 2025/2026 with a further saving of £0.210m in 2026/2027.</p>	(1.0)	0.350
EDR04	Secondary	<p>Instrumental Music Service (IMS)</p> <p>The Instrumental Music Service, a non-statutory service, provides music tuition for young people in South Lanarkshire schools. The service is funded from core Council budget and external funding from both Creative Scotland and Scottish Government.</p> <p>It is proposed to reduce the current establishment of 29.5 FTE music instructors by 3 FTE (10%) realising a saving of £0.184m per annum.</p>	3.0	0.272

Education Resources				
Reference	Service	Name and Brief Description of Saving	FTE (25/26)	Saving 25/26 £m
		<p>In addition, a 40% reduction in materials budget is proposed yielding a saving of £0.088m per annum.</p> <p>The loss of instrumental teaching days will be achieved through a wholesale realignment of IMS provision allocated to learning communities and a restructure of IMT timetables. Existing school music resources will be utilised to accommodate the reduction in materials.</p>		
EDR05	Early Years	<p>Charging for Early Years (Nursery Fees)</p> <p>This proposal considers increased Early Learning and Childcare Service (ELC) fees, out with the statutory levels of childcare provision.</p> <p>The Council currently allows parents to purchase extra hours where there is availability within an ELC establishment at a current cost of £3.76 / hr. This may be in relation to wrap around hours in nursery classes, hours in excess of the 1140 hours in standalone establishments and non-exempt 0–3-year-olds.</p> <p>ELC fees are increased annually in line with the Council charging policy which increases fees in line with the level of inflation. This proposal is to increase fees from April 2025 to align with other local authorities based on a benchmarking exercise (Table 1), following the increase already applied from April 2024.</p>	-	0.217

Education Resources

Reference	Service	Name and Brief Description of Saving	FTE (25/26)	Saving 25/26 £m																		
		<p>Table 1 – West Partnership 2023/24 ELC Fees (inc. SLC)</p> <table border="1"> <thead> <tr> <th>Local Authority</th> <th>£ph 2023/24</th> </tr> </thead> <tbody> <tr> <td>East Renfrewshire</td> <td>3.40</td> </tr> <tr> <td>South Lanarkshire</td> <td>3.76</td> </tr> <tr> <td>Renfrewshire</td> <td>3.85</td> </tr> <tr> <td>North Lanarkshire</td> <td>4.16</td> </tr> <tr> <td>Glasgow</td> <td>4.50</td> </tr> <tr> <td>Inverclyde</td> <td>4.50</td> </tr> <tr> <td>East Dunbartonshire</td> <td>4.68</td> </tr> <tr> <td>Average hourly rate of 6 Western Partnership authorities</td> <td>4.18</td> </tr> </tbody> </table> <p>Based on an increase aligned to the Western Partnership average rate of £4.18 per hour, the financial implication of a change to the charging policy would result in increased income of £0.217m in 2025/2026.</p> <p>A costing exercise, carried out to understand the unit cost per hour of ELC provided by the Council, shows that a rate of £4.18 would still be subsidised as the current cost of Service provision has been calculated to be £5.33 / hr.</p>	Local Authority	£ph 2023/24	East Renfrewshire	3.40	South Lanarkshire	3.76	Renfrewshire	3.85	North Lanarkshire	4.16	Glasgow	4.50	Inverclyde	4.50	East Dunbartonshire	4.68	Average hourly rate of 6 Western Partnership authorities	4.18		
Local Authority	£ph 2023/24																					
East Renfrewshire	3.40																					
South Lanarkshire	3.76																					
Renfrewshire	3.85																					
North Lanarkshire	4.16																					
Glasgow	4.50																					
Inverclyde	4.50																					
East Dunbartonshire	4.68																					
Average hourly rate of 6 Western Partnership authorities	4.18																					
Total Education Resources			6.0	1.510																		

Finance and Corporate Resources

Reference	Service	Name and Brief Description of Saving	FTE (25/26)	Saving 25/26 £m
FCR01	Admin, Legal and Licencing	<p>Voluntary Grants, Community Grants, Gala Grants and Civic Hospitality</p> <p>Following the setting of the Council’s Budget in February 2024, a saving of £0.270 million was agreed and the Council invested £0.270 million as transitional funding for 2024/2025, on a one-off basis, to delay implementation of the revised saving until the 2025/2026 financial year.</p> <p>Further savings of £0.180 million have been identified, taking the total savings achievable from 2025/2026 to £0.450m.</p> <p>At present, unused grant funding is held within the Council’s Reserves with a total of £0.313 million anticipated to be held at the end of 2024/2025. It is proposed to utilise the reserves of £0.313 million to delay implementation of the revised savings further until the 2026/2027 financial year.</p> <p>As a result, a reduction in grants budget of £0.137 million will be implemented for 2025/2026. Appendix 3 shows the way that the reserves can be used to minimise the impact of last year’s savings and this year’s additional proposed saving by using reserves. Only 7 organisations would see a reduction in funding into 2025/2026 and it is considered that withdrawal of funding from these organisations is likely to have only a moderate negative impact on service users, and that alternative funding sources are available.</p> <p>The full reduction in grants of £0.450 million will be realised from 2026/2027. The proposals for that year will reduce the level of voluntary grants, gala grants, community grants and civic hospitality.</p> <p>A full list of those grants affected in both 2025/2026 and 2026/2027 is provided in Appendix 3.</p>	-	0.180
Total Finance & Corporate Resources			-	0.180

Housing & Technical Resources				
Reference	Service	Name and Brief Description of Saving	FTE (25/26)	Saving 25/26 £m
HTR01	Housing	<p>Sheltered Housing – Housing Support Funding to Registered Social Landlords (RSLs)</p> <p>The Council currently provides housing support funding to two RSLs, Hanover Housing Association and Trust Housing Association. Removal of direct funding to RSLs, in line with the national trend over the past 15 years, would secure efficiencies of £0.692m from 2025/2026.</p> <p>This will be achievable across two financial years with £0.300m available in 2025/2026 and £0.392m in 2026/2027.</p>	-	0.300
HTR02	Housing	<p>Community Safety Partnership Contribution</p> <p>The South Lanarkshire Community Safety Partnership (CSP) is a collaboration of public services and voluntary organisations that work together to keep people and communities safe.</p> <p>An annual contribution to the partnership is provided by the council, with funding received directed through the partnership's Safer South Lanarkshire Board. In 2024/25 this funding predominantly contributed to the costs of three partnership posts:</p> <ul style="list-style-type: none"> • Assistant Police Liaison Officer • Victim Support Scotland Support Co-ordinator • Partnership Analyst <p>This proposal would see the Council's contribution to the partnership reduced by £0.018m to £0.037m in 2025/26, generating a saving of £0.018m for the council. Allocation of this contribution will continue to be determined by the Safer South Lanarkshire Board.</p>	-	0.018
Total Housing & Technical Resources			-	0.318

	Savings for Approval	FTE	£m
	Council Wide	-	0.375
	Community & Enterprise Resources	92.50	4.011
	Education Resources	6.00	1.510
	Finance & Corporate Resources	-	0.180
	Housing & Technical Resources	-	0.318
	Social Work Resources	-	-
	Savings for Approval (before Council Tax)	98.50	6.394
	Approved Savings	-	0.500
	Management & Operational Savings	16.85	3.769
	Total Savings (before Council Tax)	115.35	10.663

School Meal Prices 2024

Authority	Primary £	Authority	Secondary £
North Lanarkshire	3.25	North Lanarkshire	3.30
West Dumbartonshire	3.04	West Dumbartonshire	3.04
Orkney Islands	2.70	Aberdeenshire	2.85
Aberdeenshire	2.65	Edinburgh, City of	2.80
East Renfrewshire	2.50	Orkney Islands	2.80
East Dumbartonshire	2.43	Shetland Islands	2.75
Fife	2.40	East Renfrewshire	2.70
Moray	2.40	Renfrewshire	2.70
Scottish Borders	2.40	Aberdeen City	2.65
Aberdeen City	2.35	Highland	2.55
Edinburgh, City of	2.35	East Dumbartonshire	2.54
Falkirk	2.35	Dundee City	2.50
Renfrewshire	2.35	East Lothian	2.50
South Ayrshire	2.35	Scottish Borders	2.50
Argyll & Bute	2.30	Stirling	2.50
Highland	2.30	South Ayrshire	2.45
Shetland Islands	2.30	West Lothian	2.43
Stirling	2.30	Argyll & Bute	2.40
East Lothian	2.25	Fife	2.40
Clackmannanshire	2.20	Midlothian	2.40
West Lothian	2.20	South Lanarkshire	2.40
South Lanarkshire	2.17	Perth & Kinross	2.30
Dundee City	2.15	Angus	2.20
Perth & Kinross	2.15	Falkirk	2.05
Angus	2.10	North Ayrshire	2.05
Midlothian	2.10	Dumfries & Galloway	2.00
North Ayrshire	2.05	Glasgow City	2.00
Dumfries & Galloway	1.90	Moray	1.70
Glasgow City	1.90	Inverclyde	1.50
East Ayrshire	1.08	Clackmannanshire	1.35
Inverclyde	Free	East Ayrshire	1.08

Appendix 3

Grants Information	Grant Awarded 2024/2025	Grant Award 2025/2026 (1)	Proposed Grant Award 2025/2026 (2)	Proposed Grant Award 2026/2027
Voluntary Organisations				
Spell	£28,263	£14,130	£28,263	£0
Cash for Kids	£19,570	£0	£0	£0
East Kilbride Community Transport	£5,552	£2,780	£5,552	£0
Lanark YMCA	£5,451	£0	£0	£0
Cargill House Club	£5,047	£0	£0	£0
Coalburn Miners Welfare	£2,060	£0	£0	£0
Thornton Road Community Centre	£7,066	£0	£0	£0
Family Mediation	£6,561	£3,280	£6,561	£0
Particip8 Overton	£3,000	£1,500	£3,000	£0
Lanarkshire Cancer Care Trust	£7,571	£3,790	£7,571	£0
Lanarkshire Rape Crisis Centre	£7,167	£3,580	£7,167	£0
Childcare in the Community	£2,221	£1,110	£2,221	£0
Eastfield Physically Disabled Club	£404	£0	£0	£0
Hamilton Churches Drop In	£505	£0	£0	£0
Milan Centre Social Club	£2,019	£1,010	£2,019	£0
Parent Action Group	£3,028	£1,510	£3,028	£0
Special Needs Adventure Playground (SNAP)	£3,533	£1,770	£3,533	£0
Clydesdale CAB	£52,118	£46,900	£52,118	£39,089
East Kilbride CAB	£52,118	£46,900	£52,118	£39,089
Hamilton CAB	£54,539	£49,090	£54,539	£40,904
Rutherglen CAB	£52,530	£47,280	£52,530	£39,398
Hamilton Information Project for Youth	£56,650	£28,330	£56,650	£0
Lightburn Elderly Association Project	£55,368	£27,680	£55,368	£0
Unspent in 2024/25	£97,159	£0	£0	£0
Total Voluntary Organisations	£529,500	£280,640	£392,238	£158,480
Gala Grants				
Lanark Lanimer Day	£4,635	£3,360	£4,635	£2,318
Rutherglen Landemar Day	£4,223	£3,000	£4,223	£2,112
All other Gala Grants	£15,842	£0	£15,842	£0
Total Gala Grants	£24,700	£6,360	£24,700	£4,430
Community Grants				
Community Groups/Playscheme Grants	£103,000	£103,000	£103,000	£58,100
Total Community Grants	£103,000	£103,000	£103,000	£58,100
Civic Hospitality				
Civic Events	£22,600	£22,600	£22,600	£11,300
Civic Gifts	£5,000	£5,000	£5,000	£2,500
Total Civic Hospitality	£27,600	£27,600	£27,600	£13,800
TOTAL	£684,800	£417,600	£547,538	£234,810
Movement Year on Year (24/25 to 25/26)		£267,200		
Movement Year on Year (25/26 to 26/27)				£182,790

(1) 2025/2026 Grant after 2024/2025 saving approved, (2) Use of Reserves of £0.313m in 2025/2026

Cross-Cutting Review: Loans Fund and Service Concessions

1. Introduction

- 1.1. As reported to the Executive Committee in June 2024, as part of the Transformation programme to help address the £77.275 million Budget Gap over the next 3 years, the Council has embarked on a number of cross-cutting reviews. One of these reviews looks at the Council's Loan Charges budget, and the repayment of debt through Service Concessions.
- 1.2. Loan charges form a significant element of the Council's revenue budget. How these charges, in particular the repayment of debt, are calculated and accounted for can have a material impact on the amounts charged to the Council's Revenue Budget.
- 1.3. The review has looked at two areas where there is some flexibility in how we account for loan charges / debt repayments, and that could lead to savings to contribute to the Revenue Budget Strategy going forward:
 1. Loans Fund Review / Additional Voluntary Repayments
 2. Service Concessions (PPP Contractor Payment) and IFRS16 (Statutory Charge for Repayment of Debt)
- 1.4. Sections 2 and 3 will focus on the Loans Fund Review and the options available in relation to Additional Voluntary Repayments. This is detailed in Sections 2 to 3. Section 4 considers the options available in relation to Service Concessions payments as a consequence of implementing IFRS16.

2. Loans Fund Review/Additional Voluntary Repayments

- 2.1. In 2019 a review of the loans fund was carried out which looked at how the borrowing from the Loans Fund to fund the capital programme was repaid. By extending the period over which the borrowing was repaid and applying this revised approach, it was identified that £68 million of loans fund advances had been repaid earlier than it would have been under the revised approach. In addition to the historic overpayment, by repaying advances over a longer period of time, the annual charge in future years was also reduced with a further potential benefit of £198 million to 2046/2047 in reduced principal repayments.
- 2.2. While the Council could repay the advances over a longer period of time, this meant that additional interest costs would be incurred as the debt outstanding would remain higher for longer. An alternative approach was identified that would allow the Council to limit the benefit to the £68 million that had been historically overpaid. This approach involved making additional voluntary repayments of debt totalling £198 million which in turn reduced the additional interest costs. This was the approved position in June 2020 (Executive Committee).
- 2.3. Given the further budget pressures being faced by the Council in the coming years, this paper revisits the additional voluntary repayments with a view to lowering the loan charges spend across the medium term which means savings can be made. The impact on interest payments has also been considered as part of this review.

- 2.4. It is noted that 5 years on from the start of the original Loans Fund Review, and following changes to the phasing of borrowing for the General Fund capital programme, the profile of additional voluntary repayments has changed from that reported to Committee in 2020. The planned voluntary repayments now total £193.555 million from 2025/2026 to 2046/2047.
- 2.5. The voluntary repayments are used by the Loans Fund to repay external debt, so not making these repayments means that the Council's external debt will not be repaid as quickly as it would have been, resulting in additional interest costs. The additional interest costs have been calculated as £185.637 million over the period from 2025/2026 to 2061/2062 and these are included in the Strategy proposed. The profile of these interest repayments is provided in Annex A (column c). For information, the interest costs total £185.637 million across the years 2025/2026 to 2061/2062, and these are included in the Strategy proposed. At today's prices, this equates to £97 million.
- 2.6. By no longer making these voluntary repayments, then the costs incurred by the Council will be lower. The result of this is that we will underspend in our Loan Charges budget. The in-year underspends across years are also shown in Annex A (Column a). This takes account of the recalculated loan charge payments, the removal of the additional voluntary repayments and importantly, the impact of the removal of the voluntary repayments on the interest costs incurred (as referred to in 2.5). The recalculations present an underspend of £18.849 million in 2025/2026 but this underspend decreases into future years to accommodate the profile of debt repayments and consequent interest charges, as shown in Annex A.
- 2.7. The option to remove voluntary repayments is only available from 2025/2026 onwards due to the fact that they were originally programmed to start in that year.

3. Loans Fund Review / Additional Voluntary Repayments – Savings Options

- 3.1. As noted in Section 2.6, Annex A shows the savings achievable in each financial year. However, as noted, while the savings / underspend starts at £18.849 million in 2025/2026, the level of savings each year thereafter reduces over time therefore, we cannot take this higher level of savings on a permanent basis. Instead, it is proposed that we take a 3-year view of the savings achievable from the review, given the magnitude of the savings required, and we spread the benefit over the 3 years from 2025/2026 to 2027/2028.
- 3.2. It is therefore proposed that a total saving of £14.600 million be taken and spread across 2025/2026 to 2027/2028. The proposed phasing of these savings is shown in Table 1 within Annex B, spreading the savings across the Medium-Term Budget Strategy. By smoothing the savings across the years, it avoids having to reinstate budget into the later years of the Medium-Term Strategy.
- 3.3. These budget reductions of £14.600 million would help address the Budget Gap across the years 2025/2026 to 2027/2028. This would have no impact on services delivered.
- 3.4. There will still be a requirement to increase loan charge budgets after 2027/2028 (as shown in Table 1, Annex B), but the benefit of £14.600 million can be taken over the 3 years of the Revenue Budget Strategy. Reinstatement of the budget is required in 2028/2029 (£1.0m) and 2029/2030 (£0.5m) however this can be included in future

years budget plans and will be offset by anticipated benefits from Service Concessions (as outlined in Section 4).

- 3.5. To reiterate, these figures include the additional interest costs incurred from not repaying the voluntary repayments (as referred to in Section 2.5). The interest costs total £185.637 million across the years 2025/2026 to 2061/2062.

4. Service Concessions/IFRS16 (Statutory Charge for Repayment of Debt)

- 4.1. In 2022/2023, the Council applied flexibilities regarding how the debt element of PPP payments are charged to revenue. These flexibilities arose from accounting regulations which removed the restriction that we have to account for these costs over the life of the contract rather than the life of the asset. This is different from how we account for other non-PPP transactions. By charging debt to the Revenue Budget over the life of the asset, rather than the contract period, significant one-off retrospective savings were realised, as well as permanent budget savings.
- 4.2. IFRS16 is an accounting standard that councils have to implement in 2024/2025. The consequence is that there are changes in how the Council accounts for leases in its Annual Accounts. This standard also applies to how we account for the Council's PPP. By applying this standard, there is a reduction in what is charged to the Revenue Budget over the medium term, allowing further savings to be made.
- 4.3. Officers from Finance Services have been working with the Council's Treasury Management advisers to quantify the impact of this change in accounting treatment.
- 4.4. Based on the work done to date, estimated savings of £1.600 million have been identified across the 3 years of the Budget Strategy from 2025/2026 to 2027/2028. This work will continue to be developed.
- 4.5. **Savings:** It is proposed that the budget reductions of £1.600 million, which are the result of a change to accounting guidance, are used to help address the Council's Budget Gap across the years 2025/2026 to 2027/2028. There are also additional savings available in 2028/2029 (£1.3 million) and 2029/2030 (£1.7 million). The profile of the savings across the coming years is shown in Table 2 within Annex B.

5. Loans Fund Review – In-Year Underspends

- 5.1. As the proposal is to take the Loans Fund Review savings across the 3 years of the Medium-Term Budget Strategy (2025/2026 to 2027/2028), there will also be in-year underspends that could be used to further support the Budget Strategy itself. Table 5 within Annex B shows the in-year underspend resulting from the review and removes the proposed savings from the review (sections 3.2 and 4.5). This leaves a resultant underspend each year.
- 5.2. In addition, work on the review and on the loan charges projection for the current year has identified an in-year underspend of £7.246 million in 2024/2025. This is the result of a reduction in repayments of external debt due to the timing of the original Loans Fund Review being implemented, and also reflects reduced costs as a result of the timing of borrowing required for various projects within the Capital Programme.
- 5.3. The total underspend available across the 4 years (2024/2025 to 2027/2028) is £26.495 million. There is the option to use these underspends to support the Budget Gap, on a one-off basis across the years, being mindful of the fact that the use of

these underspends needs to be reinstated into the next year. These underspends are illustrated in Table 5 within Annex B and total £26.495 million across the years 2024/2025 to 2027/2028.

- 5.4. Table 6 within Annex B shows how we can use £13.000 million of the loan charges underspends to assist in managing the Budget Gap across the 3 years of the Budget Strategy. This reduces the Medium-Term Budget Gap to £48.075 million.
- 5.5. Assumptions have been made on the base Budget Gap for 2028/2029 to 2030/2031 for illustration purposes. Table 7 in Annex B shows the impact of reinstating the use of £13.000 million of the underspend in the medium term, and how that can be managed in the next years, until 2030/2031, by using the remainder of the loan charges underspend (£13.495 million). Table 7 shows that the Budget Gap remains the same before and after the use of the loan charges underspends. The benefit of these underspends is to smooth the savings requirement across years.

6. 2028/2029 and Beyond

- 6.1. As outlined in Section 3.4, reinstatement of the budget of £1.500 million is required in 2028/2029 and 2029/2030 from the Loans Fund Review / Additional Voluntary Payments.
- 6.2. It is proposed that this is offset by the additional savings of £3.000 million available in 2028/2029 and 2029/2030 from the accounting treatment of Service Concessions (IFRS16) (section 4.5).
- 6.3. This takes the total benefit over the five-year period to £17.700 million. This is illustrated in Annex B, Table 3.

7. Financial Implications

- 7.1. The financial implications of the Loans Fund review have been identified in Sections 2 to 6 and summarised below:
 - Savings of £14.600 million from the loans fund review are proposed across the 3-year period of the Budget Strategy (2025/2026 to 2027/2028) (Section 3.2). This reduced the Budget Gap in 2025/2026 by £5.500 million.
 - The work on Service Concessions is detailed in Section 7 and the financial impact has identified savings of £1.600 million across the period 2025/2026 to 2027/2028 (Section 4.5). This reduces the Budget Gap in 2025/2026 by £1.100 million.
 - Additional in-year underspends from the Loans Fund Review total £26.495 million (detailed in section 5). There is the option to use the in-year underspends from the Loans Fund Review to help address the Budget Gap, on a one-off basis across the years, being mindful of the fact that the use of these underspends needs to be reinstated into the next year. It is proposed that £13.000 million is used to help address the Budget Gap in 2027/2028. This needs to be restated in 2028/2029.
- 7.2. The overall implications of the proposals on the current Budget Gap for the years 2025/2026 to 2027/2028 are summarised in Table 1.

Table 1 – Impact on the Budget Gap	2025 / 2026 £m	2026 / 2027 £m	2027 / 2028 £m	Total £m
Original Budget Gap 2025/2026 to 2027/2028 (June 2024, Executive Committee)	22.355	24.515	30.405	77.275
Less Council Tax and Utilities (Table 1 / Section 4.8)	5.900	-	-	-
Revised Budget Gap	16.455	24.515	30.405	71.375

Less: Loans Fund and Service Concessions Savings (Annex B, Table 4)	(6.600)	(6.000)	(3.600)	(16.200)
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Use of One-off Underspends	-	-	(13.000)	(13.000)
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7.3. Table 1 shows that following the review, the Loans Fund and Service Concession savings could help address the Revised Budget Gap across the 3 years of the Medium-Term Budget Strategy and the Budget Gap over these 3 years could be reduced to smooth the requirement for savings. The majority of this saving is generated by the Loans Fund Review and the removal of the voluntary repayments – this option is only available from 2025/2026 onwards due to the fact that the Additional Voluntary repayments were originally programmed to start in 2025/2026. This proposal would not any impact on service delivery.

7.4. Beyond the period of the Medium-Term Strategy, Table 2 shows how the remainder of the £26.495 million of the underspends could be used to manage the Budget Gap in the medium term highlighting that the estimated total Budget Gap is the same before and after the use of the loan charges underspends.

Table 2 – Beyond 2027/2028	2027 / 2028 £m	2028 / 2029 £m	2029 / 2030 £m	2030 / 2031 £m
Revised Budget Gap (Table 1) (later years for Illustration)	30.405	10.000	10.000	10.000
Less Loans Fund Review / Service Concessions (IFRS16)	(3.600)	(0.300)	(1.200)	-
Budget Gap after Loans Fund and Service Concessions	26.805	9.700	8.800	10.000
Use of Underspends	(13.000)	(9.000)	(4.495)	0.000
Reinstatement of Underspends	-	13.000	9.000	4.495
Budget Gap after Use of Underspends	13.805	13.700	13.305	14.495

7.5. Table 2 shows how we can use the underspends to help address the Budget Gaps in the years beyond the Medium-Term Strategy, and again, smooth the requirement for savings.

- 7.6. Net additional savings in 2028/2029 and 2029/2030 from both the Loans Fund Review and Service Concessions of £1.500 million, bring the total benefit over the five-year period to £17.700 million (Section 6). Section 6 notes that reinstatement of the loan charges budget will be required, however, this can be managed by additional savings from Service Concessions.
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Loan Charge Projections Across Years

	(Over)/Under Spend (inc. Additional Interest)	Saving/ (Negative Budget Impact)	Additional Interest (included in column a)
	(a)	(b)	(c)
	£m	£m	£m
2025/2026	18.849	18.849	0.234
2026/2027	17.017	(1.832)	0.723
2027/2028	14.583	(2.434)	1.244
2028/2029	13.594	(0.989)	1.805
2029/2030	13.046	(0.548)	2.376
2030/2031	11.927	(1.119)	2.939
2031/2032	10.592	(1.335)	3.483
2032/2033	8.977	(1.615)	4.021
Interest from 2033/2034 to 2061/2062			168.812
Total Interest			185.637

Table 1: Loans Fund Review – Proposed Savings

	2025 / 2026 £m	2026 / 2027 £m	2027 / 2028 £m	2028 / 2029 £m	2029 / 2030 £m
Loans Fund Review	5.500	5.500	3.600	(1.000)	(0.500)
Cumulative Savings	5.500	11.000	14.600	13.600	13.100

Table 2: Service Concessions – Proposed Savings

	2025 / 2026 £m	2026 / 2027 £m	2027 / 2028 £m	2028 / 2029 £m	2029 / 2030 £m
Service Concessions	1.100	0.500	-	1.300	1.700
Cumulative Savings	1.100	1.600	1.600	2.900	4.600

Table 3 – Total Savings from Review (Loans Fund and Service Concessions)

	2025 / 2026 £m	2026 / 2027 £m	2027 / 2028 £m	2028 / 2029 £m	2029 / 2030 £m
Loans Fund Review	5.500	5.500	3.600	(1.000)	(0.500)
Service Concessions	1.100	0.500	-	1.300	1.700
Total Savings	6.600	6.000	3.600	0.300	1.200
Cumulative	6.600	12.600	16.200	16.500	17.700

Table 4 – Impact of the Review Savings on the Budget Gap

	2025 / 2026 £m	2026 / 2027 £m	2027 / 2028 £m	Total £m
Original Budget Gap 2025/2026 to 2027/2028 <i>(June 2024, Executive Committee)</i>	22.355	24.515	30.405	77.275
Less Total Loans Fund and Service Concessions Savings <i>(from Table 3)</i>	(6.600)	(6.000)	(3.600)	(16.200)
Resultant Budget Gap <i>(after Loans Fund and Service</i> <i>Concessions Savings)</i>	15.755	18.515	26.805	61.075

Table 5: Loans Fund Review – In-Year Underspends

	2024 / 2025 £m	2025 / 2026 £m	2026 / 2027 £m	2027 / 2028 £m
In-Year Underspend from Loans Fund Review (Annex A, Column a)	7.246	18.849	17.017	14.583
Less: Loans Fund Review Savings for Budget Strategy (Table 1)	-	5.500	11.000	14.600
Resultant In Year Underspend	7.246	13.249	6.017	(0.017)
Cumulative Underspend	7.246	20.495	26.512	26.495

Table 6 – Use of Underspends to Support the Budget Gap 2025/2026 to 2027/2028

	2025 / 2026 £m	2026 / 2027 £m	2027 / 2028 £m	Total £m
Resultant Budget Gap (Table 4)	15.755	18.515	26.805	61.075
Use of Underspends	-		(13.000)	(13.000)
	15.755	18.515	13.805	48.075

Table 7 – Use of Underspends to Support the Budget Gap Beyond 2027/2028

Table 2 – Beyond 2027/2028	2027 / 2028 £m	2028 / 2029 £m	2029 / 2030 £m	2030 / 2031 £m
Original Budget Gap (June 2024) <i>(For Illustration)</i>	30.405	10.000	10.000	10.000
Loans Fund Review / Service Concessions	(3.600)	(0.300)	(1.200)	-
Revised Budget Gap	26.805	9.700	8.800	10.000
Use of Underspends	(13.000)	(9.000)	(4.495)	0.000
Reinstatement of Underspends	-	13.000	9.000	4.495
	13.805	13.700	13.305	14.495

Areas of Risk

- **Pay Awards:** The Strategy includes an assumption for both teaching and non-teaching staff in 2025/2026 and beyond as well as the full year effect of an estimated Teachers' Pay Award from August 2024 (into 2025/2026). The pay deal for Non-Teachers is set for 2024/2025 only and there has been no agreement of what the pay award will be beyond financial year 2024/2025. For teaching staff, there is no pay deal beyond August 2025. This is therefore a risk to the financial Strategy.
 - **Children and Families:** The position on the approved recovery plan to mitigate the estimated £10.6 million of pressures associated mainly with external placements have been reported to the Social Work Committee during 2024/2025. This includes the commissioning of new Intensive Family Support Services to address high-cost residential placements, ongoing reviews of policies and procedures, service reviews and a review and update of contracts. This is a multi-year recovery plan, and any slippage is a risk to the Council's budget.
 - **Utilities:** As noted in section 4.4, there is a downward trend in the price for utilities, specifically. Account has been taken of the impact into 2025/2026 for the known price of units for 2024/2025, and a further reduction is anticipated into 2025/2026 based on what has been purchased so far. However, due to the relatively small amount purchased for the years 2025/2026 and 2026/2027 this will continue to be monitored as further purchases are made during the year.
 - **Insurance:** The Council operates an Insurance Fund to manage claims and liabilities arising from normal business. An amount has been included in the Budget Strategy to enable the Fund to balance on an annual basis without the need for a Fund. However, there is a risk that this additional budget may be insufficient if the level of claims experienced increases.
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