

MANAGEMENT COMMENTARY

- House building assumptions used for financial planning are not realised resulting in changes to council tax and school demographic assumptions.
- Full delivery of approved budget reduction measures for the period 2024/25 to 2025/26.
- Full exhaustion of one-off resources before the end of the current four year financial planning period due to in-year overspends and pressures in the budget model not funded by recurring budget saving measures.
- Inability to consolidate the council's asset base sufficiently to ensure that remaining assets can be appropriately and safely maintained to support ongoing service delivery within the context of severely restricted capital funding.

9 Future Work and Ongoing Developments

The council has made good progress in securing its ongoing financial sustainability through the approval of the corporate plan, revenue strategy and capital investment programme. The revenue strategy to 2027/28 provides a framework for the continued delivery of balanced budgets however officers will continue to focus on reviewing and updating financial planning assumptions and monitoring the delivery of approved savings over 2024/25 and 2025/26.

The updated financial plan highlighted a number of risks over the period that will be closely monitored. In addition, an assessment of the risk to deliverability of each of the proposed budget saving measures was included in the budget report to assist councillors in the scrutiny aspect of their budget setting role. There will be further regular monitoring of progress towards the deliverability of approved savings over 2024/25 and 2025/26 with the results reported to Council Executive on a quarterly basis.

The council continues to face unprecedented challenges and risks, including the impact of a number of risks which together are contributing to very significant financial pressures that present a challenge to the council's ongoing financial sustainability. The council is continuing to see significant cost increases in a number of areas such as pay, energy, fuel and in a wide range of services and materials. Construction costs are also increasing, along with demand for services particularly within social care and homelessness provision. One of the most significant risks facing the council is the affordability of future pay awards, with concerns that these could be considerably in excess of available budgeted resources.

Taking account of these pressures and risks, and that for the first time, excluding 2022/23 where the overspend was a direct result of an unfunded pay award, the council incurred a substantial overspend in 2023/24, the 2024/25 budget will be closely monitored. Where budget pressures emerge, or continue from previous years, early mitigating actions will be identified and implemented as necessary to ensure spend can be contained within available resources. The ongoing impact of risks and additional costs or reduced funding assumptions will be incorporated into the annual update of financial planning assumptions for future years. It will be important that ongoing updates to budget assumptions assist elected members and officers in effectively focusing on medium term sustainability and ensuring budgets are balanced, priority outcomes are met and performance in key areas of service delivery is maintained or maximised within available resources for key areas of service delivery.

Acknowledging that the council has a remaining budget gap over the period to 2027/28, and the decision by Council that officers consider options to balance the gap, work will be undertaken over the course of the coming year on identifying potential recurring budget saving measures for future years. This exercise will be undertaken within the context of growing financial constraints and the risks faced by the council. It will consider the efficient delivery of statutory functions, potential changes to non-statutory service delivery and review of options around income generation, shared services and digital transformation. Council tax assumptions for future years will also be reviewed. A commitment has been made to undertake a Phase 3 consultation on budget saving options for future years and timescales and approach to this consultation was reported to Council Executive on 26 June 2024. Any potential recurring saving options that could be deployed to balance 2025/26 on a recurring basis would be reported to policy development and scrutiny panels in advance of the 2025/26 budget process in line with the council's approach to the consideration of new savings.

Despite the pressures facing the council's revenue financial position, the pressures in the resourcing of capital investment is even more acute and pronounced. As noted in the updated capital programme approved by Council on 22 February 2024, a review of the programme will be required to ensure its ongoing affordability and sustainability. The level of available funding to support the council's existing asset base is severely constrained with the currently approved limited capital investment potentially subject to further reductions in grant funding. This is further constrained by sharp increases in prices for agreed projects and unexpected costs in keeping assets, particularly buildings, operational. Officers will consider potential options for managing reduced capital spend or increasing income ahead of the local government finance settlement for 2025/26 to allow options to be deployed as necessary to reflect revised funding levels when they are announced.