East Lothian Council

REPORT TO: East Lothian Council

MEETING DATE: 28 February 2023

BY: Executive Director for Council Resources

SUBJECT: Budget Development & 2023/24 Council Tax & Rent Levels

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1 PURPOSE

1.1 To provide Council with an overview of the national funding settlement for local government, and the implications of this for East Lothian.

1.2 To set the General Services revenue budget and council tax levels for 2023/24 and agree strategic level budgets for 2024/25 – 2027/28.

1.3 To set the General Services Capital budget for 2023/24 – 2027/28.

1.4 To set the Housing Revenue Account budgets for 2023/24 – 2027/28, and rent levels for 2023/24.

1.5 To set out the next steps towards delivering the council's financial strategy 2023/24 – 2027/28.

2 RECOMMENDATIONS

2.1 The Council is recommended to:

- Note the content of the Scottish Government 2023/24 budget, local government finance settlement and the funding implications for East Lothian Council;

- Note the challenging context within which budget proposals for 2023/24 onwards have been developed, and the factors which have contributed to the gap between forecast income levels and expenditure demands;

- Approve the recommended approach to the application of fiscal flexibilities in relation to service concessions, outlined within paragraphs 3.14 to 3.33 and illustrated within Appendix 1;

- Note the timeline and next steps to delivering the Financial Strategy detailed within paragraphs 3.63 to 3.67.

In line with Items 4 and 5 on the agenda:

- Approve the Housing Revenue Account revenue and capital budgets for 2023/24 to 2027/28 and rent levels for 2023/24, as set out in Appendix 2 and paragraphs 3.34-3.39;

- Approve the General Services capital budget 2023/24 to 2027/28, as set out in Appendix 3;

- Approve the General Services revenue budget and council tax levels for 2023/24, as set out in Appendix 4;

- Approve the high level general services revenue budget projections for 2024/25 to 2027/28, as set out in Appendix 5;

3 BACKGROUND

3.1 Following the approval of the Financial and Capital Strategies 2023/23 to 2027/28 by Council in December 2022, this report sets out the context within which budgets for 2023/24 onwards have been developed.

3.2 The financial challenges which the council faces now, and over the medium term financial strategy period 2023/24 – 2027/28 are unprecedented. A combination of external factors including turbulence in the domestic and global economy, the costs of Covid-19, Russia's invasion of Ukraine and the impacts of EU exit have seen acute pressure being placed on public finances and expenditure demands arising from the cost of living crisis, increases in energy costs, high inflation, rising interest rates and pay inflation.

3.3 At a local level, the impact of population growth continues to increase the council's cost base and as one of the fastest growing local authorities in Scotland, the gap between the increasing costs and available funding to support this growth is widening.

3.4 The council continues to rely on government grant for the majority of its funding (circa 76%), with Council Tax representing approximately 24% and other income streams including charging making up the remainder. With funding through the national settlement not keeping pace with the scale of growth and wider external pressures, maintaining services within the available resourcing envelope is becoming increasingly challenging.

Local Government Finance Settlement 2023/24

3.5 Scottish Government published the draft local government finance settlement for 2023/24 in December. This is a one-year settlement and key features of this were set out within the report to Cabinet on 17 January. The Local Government Finance Order was laid on 22 February and the Local Government Finance Circular will be published on 1 March, assuming the Order is approved by Parliament.

3.6 Overall the impact of the settlement saw an increase to local government funding in cash terms of £71m, after adjusting for funding which is linked to new and existing policy commitments.

3.7 The Institute for Fiscal Studies (IfS) has now published its analysis on the Scottish Government's budget which notes that:

- After adjusting for in-year top-ups to councils funding in 2022–23 and stripping out funding for new burdens next year, grant funding for Scottish councils is set to fall by around 1% in real terms. Even 5% council tax increases would not be enough to fully offset this, and would still leave funding around 0.3% lower in real terms in 2023–24 than in 2022–23.
- The outlook for 2024–25 is uncertain but is likely to be even tougher, given that overall funding for Scottish Government non-benefit spending is set to fall by 1.6% in real terms. If grant funding for Scottish councils were to change in line with this.
- This represents a contrast with the funding position for English local authorities over the next two years, where big increases in grant funding for councils have been announced in the November 2022 Autumn Statement. This will mean that funding for English councils and schools (which is a separate budget line in England) is set to increase by 3% in real terms in 2023–24 and 2% in 2024–25. Therefore, even if council tax rates were frozen in cash terms; with 5% increases in council tax rates, the real-terms increases would be 4.5% and 3.7%, respectively, for these two years.

3.8 COSLA has initiated a 'Budget SOS' national lobbying campaign to support and protect local services, and Council Leaders have written to the First Minister expressing their collective deep concern about the impacts of the financial settlement that Scottish Government has proposed for Local Government as part of this year's Scottish Budget.

Local Context

3.9 The draft local government finance settlement reflects an uplift to the core revenue grant of £2.066m for East Lothian Council. Additional funding linked to new policy commitments including devolution of empty property reliefs and the rollout of free school meals for P6 and P7 was also announced. This was detailed in the report to Cabinet on 17 January and since that report, distribution of the following funding streams have been announced:

- £100m support for the Adult Social Care pay uplift for 2023/24 (£1.951m), which will be passported to the IJB;
- £32.8m funding for the 2021/22 Teachers Pay Claim was added back into the settlement, having previously been removed (£0.625m)
- £100m to support councils to make a meaningful pay offer to non-teaching local government staff in 2023/24;
- £123m to support the enhanced pay offer to teachers for 2022/23 and 2023/24.

3.10 In order to ensure that there is stability within the national distribution of funding to local authorities, the formula includes a minimum grant "floor" calculation to ensure that individual Councils do not see excessive year on year variances. The floor is self-financing and funded through the redistribution of funding from some councils to others. Based on the draft settlement for 2023/24, East Lothian Council will be required to contribute £3.522m to the floor.

3.11 Current budget projections for the General Services Revenue budget assume a 3% pay award in 2023/24, and annual increases of 2% thereafter and factor in growth on contracts linked to inflation as well as revenue consequences of capital and debt charges. Aligned to the Deputy First Minister's announcement of an additional £100m to support Councils to make a meaningful pay offer to non-teaching local government staff, an indicative contingency of £1.9m for the 2023/24 pay award has been included within the budget, offset by assumed funding of this level. The current projections assume that this funding will be recurring. A further £2.3m for teachers pay has been included from 2023/24 onwards, in line with the Deputy First Minister's announcement.

3.12 Over the medium term, income projections assume a flat cash settlement from Scottish Government, other than in 2026/27 in accordance with the Spending Review announcement published in June 2022.

3.13 Taking these factors into account, the funding gap for 2023/24 before taking into account any budget efficiencies, increases to the council tax charge or use of reserves is £18.971. This rises to £71.320 by 2023/24. This is detailed within Appendix 5 and summarised within table 1 below:

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total
Base Budget	286,247	299,746	293,172	298,581	307,495	
Growth	21,365	20,617	11,749	10,378	11,792	75,901
Income changes	2,394	-871	297	-1,629	16	-4,581
Funding Gap	**18,971**	**19,746**	**12,046**	**8,749**	**11,808**	**71,320**

Table 1: Summary budget pressures & funding gap

3.14 As noted elsewhere in this report, the gap between expenditure demands and available funding is now at a scale which will require a fundamental shift in how the Council delivers and prioritises its core services. A number of efficiencies are proposed as part the draft budgets presented, however there is still a significant amount of work to be done in this area in order to ensure financial sustainability over the medium term. Paragraphs 3.63 to 3.67 of this report set out the next steps in developing and monitoring savings plans and working towards some of the key decisions which Council will need to take in relation to these plans.

Fiscal Flexibilities – Service Concessions

3.15 As part of the Spending Review in May 2022, the Scottish Government announced the publication of Service Concessions Guidance, which provides a temporary statutory override to the accounting treatment for service concession arrangements (ie PPP arrangements) in place prior to 1 April 2022.

3.16 The following service concession (PPP) assets are held by East Lothian Council:

- Dunbar Grammar School
- Knox Academy
- Musselburgh Grammar School
- Ross High School
- Preston Lodge High School
- North Berwick High School
- Mercat Gait Pool
- Musselburgh Community Centre

3.17 The Council entered into contract for capital works relating to these assets in 2006 and is currently repaying the debt arising from this arrangement in instalments spread over the life of the contract, which is due to end in 2034/35.

3.18 The nature of the fiscal flexibilities for service concessions that have been provided to local authorities by the Scottish Government enables the repayment of debt to be spread over the life of the service concession assets, rather than over the life of the contract.

3.19 An illustration of the potential impact of applying these changes has been provided within Appendix 1 to this report. The calculations included within this appendix are based on the following asset lives:

- Secondary schools: 40 years
- Mercat Gait Pool: 60 years
- Musselburgh Community Centre: 60 years

3.20 The above asset lives have been determined with consideration of the current condition of the assets, alongside wider information held by the council regarding planned maintenance and investment, and steps to ensure the effective management of the PPP contracts.

3.21 This approach will be subject to scrutiny by the council's external auditors through the audit of the 2023/24 financial statements. Some early conversations with the audit team regarding the planned approach have already taken place.

3.22 Applying this flexibility would result in an alignment of the accounting treatment for the financing of debt for non-service concession assets, by matching the debt financing costs to the expected life of the assets.

3.23 Because the guidance allows councils to apply this change in accounting treatment retrospectively, this will create an overpayment in our accounts from the amounts charged to the general services revenue account since the start of the contract in 2006. While this does not release cash (the contractors do not pay us money back), it means that we can increase the Council's General Fund Reserve balance by reversing part of the charge that has been made which sits in an unusable reserve (Capital Adjustment Account).

3.24 The guidance allows the debt repayments to be better aligned to the life of the asset, and also allows councils to decide on their preferred approach to making the debt repayments. The options are to make debt repayments using either the equal instalments of principal (EIP) method or an annuity method.

3.25 For the purposes of the calculations within this report, the debt repayment on the annuity basis has been applied as it is considered to best represent the consumption of the assets over their useful lives and is consistent with our approach to calculating loans fund charges. Use of the annuity method is considered to represent prudent approach as it reflects the time value of money (the impact of inflation). CIPFA's practitioners guide advises that the annuity method provides a fairer charge than equal instalments as it takes account of the time value of money. The schedule of charges produced by the annuity method thus results in a consistent charge over an asset's life, considering the real value of the amounts when they fall due. The annuity method would then be a prudent basis for providing for assets that produce a steady flow of benefits over their useful life and is therefore considered appropriate for the service concession assets held by the council.

3.26 The financial impact of this will be a one-off gain within the general services revenue account during the year of application, and a reduction in annual contract expenditure up to the contract end date in 2034/35. Expenditure linked to the repayment of debt for the service concession assets will then continue to be recognised beyond the contract end date.

3.27 This would represent an accounting adjustment, which would not affect actual payments currently being made under the contract or alter the contract in any way. Because of this, the council would need to borrow in order to utilise the surplus arising from applying this flexibility and in doing so would attract additional debt financing costs, which are illustrated within Appendix 1.

3.28 Current interest rate forecasts mean that pursuing this option could result in a significant increase in the overall cost of these transactions to the Council. This therefore requires careful consideration to ensure this decision will not result in a disproportionate detrimental impact on budgets in future years.

3.29 Given the scale of the financial challenges which the council faces over the medium term, the financial strategy 2023 – 2028 agreed by Council in December 2022 recognises that the benefits to the general services reserve could be used to enable investment needed in measures which will deliver a sustainable benefit to the revenue account. This could include investment in the following critical enablers which are identified within the strategy:

- Investing in digital transformation
- Resourcing and enabling the asset review
- Support for service reviews & wider transformation
- Cost reduction through energy efficiency
- Investment in early intervention and prevention
- Developing and growing income streams

3.30 Although the budget development principles adopted by Council encourage that use of one off resources to balance the budget be minimised, it is recognised that this may be required in 2023/24, and application of this flexibility will help to mitigate the impact of this action and protect the minimum balance on the general fund. However, it should be noted that without a commitment to investing some of the surplus created by this accounting change in the critical enablers to budget transformation, this would not be a prudent option to recommend given the additional debt financing costs linked to the underlying borrowing need. Use of reserves in 2023/24 will allow time for plans to be developed to support the delivery of financial savings over the medium term.

3.31 This report therefore recommends the implementation of service concession flexibilities, as outlined within Appendix 1, with a commitment to reviewing the opportunities for deploying the surplus at a future Council meeting. This recommendation is made following consideration and assessment of prudence by senior finance officers and a decision by Council is required in accordance with the guidance.

3.32 In the context of the acute financial challenges which the Council is now facing, it is considered appropriate for Council to consider these proposals as part of their decision on next year's budget. Subject to the approval of this recommendation, a further report will be brought back to Council in June with recommendations for deploying the short term benefits of this approach to support the development of a balanced budget in future years.

3.33 For the avoidance of doubt, the application of this flexibility will represent a change to the accounting treatment only and therefore will not impact on any future policy decisions made in relation to these assets and the services which they support.

3.34 Alternative options to this recommendation are set out below:

i. Not applying the fiscal flexibility and continuing with the existing accounting treatment. This option has not been recommended for the reasons outlined in paragraphs 3.30 to 3.31 above. The proposed accounting treatment is considered to offer a fair reflection of the economic substance of the transactions relating to the use of these assets. In addition, the critical nature of the current funding gap will require fundamental change and application of this flexibility will facilitate investment in some of the critical enablers needed to make this happen.

ii. Varying the assumption regarding asset lives. By reducing the assumed asset lives, the short term benefit to the revenue account from applying this flexibility would be lower, but the associated liabilities would be repaid sooner. Increasing the assumed asset lives would result in a greater increase to general services reserves in 2023/24 but a longer repayment period and higher interest charges. The recommended asset lives have been informed through consideration of independent advice from the council's external valuer and consideration of local factors including planned capital investment in the assets and effective management of the PPP contract.

Housing Revenue Account

3.35 The Housing Revenue Account (HRA) budgets 2023/24 – 2027/28 and proposed rent levels for 2023/24 are set out within Appendix 2. Council is asked to approve the budget and proposed 2023/24 rent levels.

3.36 The proposed rents represent a 5% increase to current rent levels. This follows a rent freeze in both 2022/23 and 2021/22 and would increase the current average weekly rent from £72.61 to £76.24. Tenants were consulted on the proposed rent increase, and a report detailing the consultation response has been lodged in the Members Library.

3.37 Setting the rents at the proposed level will enable the planned programme of modernisation and investment in new council houses to proceed as previously planned, and for key ratios including 40% debt to income ratio and minimum reserves of £1m to be met.

3.38 Increases in interest rates have resulted in increased debt charges to the HRA, which mean that any increase below 5% would require a reduction in the level of planned investment.

3.39 In December 2022, Scottish Government confirmed that it would not be extending rent controls for social landlords beyond March 2023, and the average weekly rent increase for 2023/24 of £3.63 supports the commitment made by COSLA leaders to keep rent increases to an average of less than £5 a week across the country.

3.40 The HRA budget for 2023/24 also reflects a transfer of the in year surplus to General Services reserves. This transaction represents funding for the 2022/23 pay award which has been awarded to councils through a capital grant in both 2022/23 and 2023/24 before being baselined into the settlement in 2024/25. In order to utilise this funding for the pay award which is a revenue cost, the £2.320m grant will replace Capital Funded from Current Revenue (CFCR) within the HRA, creating a surplus of the same amount which will be transferred back to General Services. For the avoidance of doubt, this is a mechanism which will enable the capital funding for pay to be used for its intended purpose and the net impact of these transactions on the HRA budget will be £nil. This approach is permitted and in line with updated guidance from Scottish Government.

General Services Revenue Budgets

3.41 Appendix 4 to this report sets out the proposed budget and council tax levels for 2023/24 which has been developed by the administration working in conjunction with the cross party budget working group. Council is asked to agree the 2023/24 budget and council tax levels.

3.42 Appendix 5 shows the strategic budget projections for the next five years, which highlights the anticipated budget gap of £45.007m by 2028. This assumes a 7% council tax increase in 2023/24 and 5% annual increases thereafter. Budget efficiency plans proposed as part of this budget will partially close the gap, leaving a residual budget gap of £28.618m to close over the next five years. Council is asked to agree the high level budget projections included in Appendix 5. As previously noted, budget gap of this size is unprecedented and achieving a balanced position will require some very difficult decisions going forward.

3.43 The council tax increase of 7% will represent an annual increase of £93.92 for a band D property, which equates to a weekly increase of £1.80 for a council tax payer with no council tax reduction, discounts or exemptions. The table below summarises the current and proposed council tax charges on an annual and weekly basis:

Band	2022/23 Council Tax (excluding W&S)		Annual			Weekly	
			7% Increase	2023/24 Council Tax (excluding W&S)		7% Increase	2023/24 Council Tax (excluding W&S)
A	£894.46		£62.61	£957.08		£1.20	£18.36
B	£1,043.54		£73.05	£1,116.59		£1.40	£21.42
C	£1,192.62		£83.48	£1,276.10		£1.60	£24.47
D	£1,341.69		£93.92	£1,435.62		£1.80	£27.53
E	£1,762.84		£123.40	£1,886.24		£2.37	£36.18
F	£2,180.25		£152.62	£2,332.88		£2.93	£44.74
G	£2,627.49		£183.92	£2,811.42		£3.53	£53.92
H	£3,287.15		£230.10	£3,517.26		£4.41	£67.46

Table 2: Current & proposed council tax levels

3.44 Through council tax rises, the council has been able to continue to support low income households with the cost of living crisis including through top ups to the council tax reduction scheme, Scottish Welfare Funding, Financial Support and Inclusion teams and support for the delivery of the council's Poverty Action Plan.

3.45 It is proposed that the budget gap for 2023/24 will be closed through a combination of existing savings agreed by Council in March 2022 and new savings proposals which are aligned to the Financial Strategy agreed by Council and have been subject to consideration by the Cross Party Budget Working Group. Efficiencies totalling £6.738m have been identified for 2023/24, and the residual gap of £7.378m is being closed on a one-off basis during 2023/24 through planned use of reserves.

3.46 The use of reserves to balance the budget in 2023/24 will result in an increase in the recurring budget gap for 2024/25. The Budget Development Framework agreed by Council in March 2022 aims to minimise the use of one-off resources (such as reserves) to balance the budget. Although this is seen as unavoidable in 2023/24 due to the combination of external factors which are adversely impacting on the Council's financial position, the latter years of the budget will need to incorporate recurring savings in order to achieve financial sustainability. Work to develop recurring savings will continue throughout 2023/24 to support this.

3.47 Subject to Council's approval of the recommendation on Service Concession flexibilities, General Services reserves will increase during 2023/24 as a consequence of the backdated element of this accounting change. It is therefore essential that these one off resources are utilised to enable the implementation of plans to deliver recurring budget savings aligned to the following five themes outlined within the financial strategy:

- Asset rationalisation & energy efficiency

- Income generation
- Transformation, digitalisation and service redesign
- Early intervention & prevention
- Service reductions

3.48 It is critically important that the council urgently develops enhanced medium and longer-term plans aligned to these themes, that are both robust and deliverable in order to address the residual budget gap. This will require the council to think differently about the services it currently offers, how they are delivered, and how resources are prioritised to ensure that they continue to have meaningful impact where it is most needed. As noted in previous reports to Council, the extent of the current financial challenges means that, without significant increases through the national funding settlement, it may no longer to be possible to deliver on all national policy commitments.

3.49 The Cross Party Budget Working Group, which was established this year, in accordance with the budget development principles agreed by Council, will play an important role in supporting the development of proposals to ensure that a sustainable budget can be set for 2023/24 and critically important in the years beyond.

General Services Capital Budgets

3.50 Scottish Government has announced capital funding of £706m for local authorities in 2023/24, plus £120.6m capital funding for the 2022/23 pay settlement. This represents a cash uplift of £80m, which has been ring fenced for the expansion of free school meals for P6 and P7 pupils.

3.51 At a local level, the Council will see a small increase of £0.098m in the core general capital grant to a total of £8.410m.

3.52 The proposed capital programme for 2023/24 to 2027/28 is detailed within Appendix 3 and represents planned investment to support the delivery of the council's strategic objectives and statutory obligations over the next five years. Council is asked to approve these proposals.

3.53 The previous capital strategy imposed an upper limit on new borrowing for General Services of £150 million over the next five years to safeguard the revenue account from excessive debt charges. Given the significant and rapid increase in interest rates since this limit was set, the repayment of this level of borrowing has now become unaffordable for the council, and the updated capital programme within Appendix 3 targets an upper limit on new borrowing of £100m over the next 5 years. The proposed capital programme for 2023/24 – 2027/28 does not quite meet this level – with new borrowing of £103.604m proposed, however officers will continue to review further options to reduce this, and updates will be brought back to Council during the year.

3.54 Key changes to the previous capital plan include:

- reprofiling planned spend on the education estate, with reference to housing completions and updated school roll projections;
- inclusion of a target level capital receipts totalling £20m to be generated through a programme of disposals linked to the asset review;
- inclusion of an assumption regarding grant income to support the delivery of the sustainable fleet strategy;
- reduction in the roads budget of £0.5m in both 2026/27 and 2027/28; and
- removal of the £1m budget for health and social care facilities which was a historical budget line with no deliverable plans attached to it.

3.55 The impact of these changes is a net borrowing requirement of £103.604m over the next five years. Wider pressures on the capital programme including inflation and supply chain issues continue to present significant risks to the deliverability of the programme.

3.56 The capital programme will continue to be closely monitored throughout the year, with updates and further recommendations being reported through to Council as appropriate.

Reserves

3.57 The Financial Strategy agreed by Council in December increases the target minimum level of reserves to be held as contingency for unforeseen events, from £5.2m to £7.2m, reflecting the critical nature of the concurrent risks which now threaten the council's capacity to demonstrate financial sustainability. Subject to Council's agreement to the recommendation on fiscal flexibilities, the proposed budgets for 2023/24 will allow for the target minimum balance to be maintained, however, the Council continues to face a high degree of risk with regard to its financial position.

3.58 As noted elsewhere in this report, the application of fiscal flexibilities will result in an increase to General Services reserves in 2023/24. Plans to deploy these resources in order to support investment in some of the critical enablers outlined within the Financial Strategy will be brought back to Council during 2023/24.

3.59 Planned use of reserves to balance the budget will be required in 2023/24, however the financial strategy and budget development principles include a commitment to minimise this. We will continue to work towards this objective, supported by investment in the enablers for transformation outlined above.

3.60 Given the significant financial challenges which the council now faces, it is recommended that a review of earmarked reserves be undertaken following the 2022/23 year end, to ensure that these remain aligned to support the council's priorities and mitigate the range of financial risks which the council now faces.

Risk

3.61 The council faces a range of concurrent risks relating to its financial position. The significant nature of the combined risks has been reflected on the corporate risk register as the highest rated risk that have ever been reported to Council.

3.62 Key risks built into the assumptions include:

- Pay: there is a risk that pay negotiations may result in a greater increases than anticipated within the current budget projections. Every 1% increase in pay will result in a further pressure on the council's budget of approximately £1.6m.
- Inflation: Inflation impacts on many of the council's input costs and unexpected rises will create an unbudgeted pressure on the revenue account which may mean that the council will be unable to achieve its objectives without further unplanned use of reserves.
- Interest rates: Interest rate assumptions are based on projections provided by the council's treasury management advisors and detailed within the Treasury Management Strategy. Any increase to projected interest rates in future years will have a significant impact on the revenue cost of borrowing, and also on the deliverability of the capital programme.
- National funding: the high-level budget projections for 2024/25 to 2027/28 set out within Appendix 5 reflect a flat cash settlement other than in 2026/27, aligned to the Resource Spending Review announcement. Variations to this position will have a direct and significant impact on the council's financial outlook.
- Delivering savings: The budget and financial strategy rely on the delivery of a significant amount of savings in order to achieve a balance position. If savings cannot be delivered as planned then alternative action will be required to mitigate the impact, which might include the suspension of some council services and reductions in staffing levels.
- Demand management: External factors including the cost of living crisis are continuing to place upward pressure on current demand for council services. This represent a risk where funding allocations for demand led services are insufficient to meet the expenditure demands, or where the level of demand is significantly in excess of the assumptions incorporated into the budget.

3.63 These risks will continue to be monitored in line with the council's risk management framework, and through quarterly financial update reports to Council.

Next Steps

3.64 Previous reports to Council on the budget development framework have recognised the importance of supporting discussions on the budget throughout the year, and enabling elected members to actively contribute to the development of budget proposals, and the establishment of the cross party group is considered to be key to enabling this.

3.65 Subject to the approval of the recommendations within this report, the recommended next steps to supporting the development of the Council's budget plans are outlined below:

Date	Meeting	Action
27 June 2023	Council	Report to consider budget proposals to close the budget gap from 2024/25 onwards, and outline proposals for deploying one-off resources to invest in critical enablers.
August 2023	Council	Q1 financial update report, to include an overview of progress towards delivering agreed savings for 2023/24.
October 2023	Council	Draft financial outlook report to Council, setting out high level budget forecasts for 2024/25 onwards
December 2023	Council	Q2 financial update report, to include an overview of progress towards delivering agreed savings for 2023/24.

Table 3: Budget development next steps

3.66 In addition, the Cross Party Budget Working group will continue to meet on a regular basis throughout the year, to oversee the implementation of budget proposals in 2023/24 and to support the development of proposals to balance the budget from 2024/25 and beyond. Although not a forum for decision making, this approach is intended to support the budget development process by ensuring that members are sighted on the detail and impact of changes linked to budget decisions, to ensure that progress towards delivery of budget savings is on target and to act as an informal sounding board for ideas.

3.67 Further targeted budget consultation activity will continue throughout 2023/24, the outputs of which will be used to inform future considerations around budget decisions. This will build upon the results of the initial online consultation on budget priorities, the results of which have been published in the Members' Library.

3.68 Given the current level of risk associated with managing the financial environment, Council has previously taken a decision that in year financial monitoring reports should be presented to Council rather than Cabinet. These arrangements will remain under review in consultation with the administration, however at this stage it is assumed that this will continue into 2023/24.

4 POLICY IMPLICATIONS

4.1 The council's budget and financial strategies should be a representation of the Council Plan and strategic priorities in financial terms. The proposals within this report are intended to support the effective delivery of policy objectives as far as possible.

5 INTEGRATED IMPACT ASSESSMENT

5.1 Equalities – impact assessments may be required for budget proposals which involve a significant change to delivery of services by East Lothian Council. Political groups will be provided with all relevant information relating to the potential impact of budget saving proposals as part of the budget development process.

6 RESOURCE IMPLICATIONS

6.1 Financial – as described above and in the supporting appendices.

6.2 Personnel - none

6.3 Other – none

7 BACKGROUND PAPERS

7.1 Council – 29 March 2022 – Item 8 – Review of the Budget Development Process

7.2 Council – 28 June 2022 – Item 2 – Financial Outlook and Budget Development Framework 2023/24 Onwards

7.3 Council – 13 December 2022 – Item 4 – Financial and Capital Strategies

7.4 Cabinet – 17 January 2023 – Financial Update and Budget Development 2023 onwards

7.5 Members Library Service 31 January 2023 – Rent Levels Consultation 2023/24

7.6 Members Library Service – 09/23 – Consultation Results – Budget Priorities

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DATE	**23 February 2023**

ILLUSTRATION OF SERVICE CONCESSIONS FLEXIBILITY -ANNUITY BASED: ESTIMATED CHANGE IN PROFILE OF CHARGES TO GENERAL FUND COMPARED TO EXISTING PLANNED / EXISTING PPP SCHEDULE

£m (+ve=saving to GF, -ve = cost to GF)

	Year	Extended annuity profile based of 40 years for schools and 60 years for pool and community centre, retrospective application, incl lifecycle capital, based on PPP model IRR	Estimated interest costs from borrowing (year 1 saving borrowed equally over years 1 and 2)	Net Impact
1	2023/24	15.130	(0.287)	14.843
2	2024/25	0.764	(0.579)	0.185
3	2025/26	0.979	(0.615)	0.364
4	2026/27	1.151	(0.661)	0.490
5	2027/28	0.927	(0.703)	0.224
6	2028/29	1.080	(0.757)	0.323
7	2029/30	1.738	(0.844)	0.894
8	2030/31	1.978	(0.943)	1.035
9	2031/32	2.163	(1.051)	1.112
10	2032/33	2.323	(1.167)	1.156
11	2033/34	2.467	(1.290)	1.177
12	2034/35	2.230	(1.402)	0.828
13	2035/36	(1.966)	(1.304)	(3.270)
14	2036/37	(2.096)	(1.199)	(3.295)
15	2037/38	(2.234)	(1.087)	(3.321)
16	2038/39	(2.381)	(0.968)	(3.349)
17	2039/40	(2.538)	(0.841)	(3.379)
18	2040/41	(2.705)	(0.706)	(3.411)
19	2041/42	(2.883)	(0.562)	(3.445)
20	2042/43	(3.073)	(0.408)	(3.481)
21	2043/44	(3.275)	(0.244)	(3.519)
22	2044/45	(3.491)	(0.069)	(3.560)
23	2045/46	(3.721)	0.117	(3.604)
24	2046/47	(0.066)	0.120	0.054
25	2047/48	(0.070)	0.124	0.054
26	2048/49	(0.074)	0.128	0.054
27	2049/50	(0.079)	0.132	0.053
28	2050/51	(0.085)	0.136	0.051
29	2051/52	(0.090)	0.141	0.051
30	2052/53	(0.096)	0.146	0.050
31	2053/54	(0.102)	0.151	0.049
32	2054/55	(0.109)	0.156	0.047
33	2055/56	(0.116)	0.162	0.046
34	2056/57	(0.124)	0.168	0.044
35	2057/58	(0.132)	0.175	0.043
36	2058/59	(0.141)	0.182	0.041
37	2059/60	(0.150)	0.190	0.040
38	2060/61	(0.160)	0.198	0.038
39	2061/62	(0.170)	0.207	0.037
40	2062/63	(0.182)	0.216	0.034
41	2063/64	(0.194)	0.226	0.032
42	2064/65	(0.206)	0.236	0.030
43	2065/66	(0.220)	0.247	0.027
		0.001	**(14.129)**	**(14.128)**