

**REPORT TO:** Cabinet

**MEETING DATE:** 21 January 2025

**BY:** Executive Director for Council Resources

**SUBJECT:** Budget Development Update

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## **1 PURPOSE**

- 1.1 To provide an update on the provisional local government finance settlement and implications on budget development for 2025/26 onwards.

## **2 RECOMMENDATIONS**

### **2.1 Cabinet is recommended to:**

- Note the assessment of the provisional 2025-26 Local Government Finance Settlement and the anticipated implications for budget planning.
- Note the updated high level General Services Revenue budget model (2025-26 to 2029-30) and updated budget gap shown at Appendix 1.
- Note the draft General Services Capital Programme (2025-26 to 2029-30) at Appendix 2.
- Note the draft Housing Revenue Account budgets at Appendix 3.
- Note the next steps for budget development, outlined at paragraphs 3.45-3.47.

## **3 BACKGROUND**

- 3.1 Scottish Government's budget for the 2025-26 financial year was announced on 4 December 2024, with the provisional funding settlement for Scottish local authorities following on 12 December.

- 3.2 This report provides an overview of the provisional finance settlement for local government for 2025-26, and it sets out the anticipated impact of this on the Council's budget planning for the next financial year and beyond. The report also sets out the recommended next steps working towards setting of the budget, council tax and rent levels by Council on 18 February 2025, in light of the updated budget projections.

#### Draft Settlement Overview – National Picture

- 3.3 Scottish Government's provisional settlement announcement set out an overall cash increase of £869 million for local government, of which £289 million is additional General Revenue Grant to support local priorities. Funding to support the following policy areas was also announced:

- An additional £15 million to support the expansion of Free School Meals;
- £125 million for adult social care workers in commissioned services;
- £10 million to support provision of Free Personal and Nursing Care;
- An additional £25.7 million to improve pay for early learning and childcare workers;
- An additional £41 million investment to maintain or restore teacher numbers to 2023 levels;
- An additional £28 million for additional support for learning;
- £33 million to support development of people working in children's social work;
- £40 million to tackle the climate emergency;
- An additional £10 million to improve play parks for children; and
- An additional £8.6 million resource and £20 million capital to improve inter-island connectivity.

- 3.4 The draft settlement does not reflect any uplift in funding to offset the costs of the increase to employer National Insurance contributions announced as part of the UK Government's Autumn Budget. Additional funding to cover the employer costs is anticipated, but this will not be confirmed until April 2025. It also remains unclear at this stage whether the additional funding will cover the full cost of the increase, which presents a potential risk to the availability of the full £289 million which has been announced to support local priorities. For context, the total cost to local government as employers is estimated at £265 million.

- 3.5 In addition, there may be further commitments against the unringfenced funding, including pay, inflation and growing demand for services alongside the implementation of the Scottish Local Authorities Remuneration Committee's recommendations following the independent review of councillor remuneration and potential increased costs for commissioned services as a consequence of the employer National Insurance increase.

- 3.6 Other key features of the draft settlement announcement include:

- Package of measures making up the settlement, including some potential future policy direction linked to education and social care.
- Commitment from the Scottish Government to work in partnership with local government to implement the budget and joint priorities.
- No controls or restrictions placed on council tax increases for 2025-26.
- Minimum funding guarantee (floor) has been set at 0.75% below the average.

### Local Implications – Revenue

- 3.7 Councils have received notification of their provisional shares of funding announced through the settlement, although a significant amount of the funding remains undistributed at this point in time. Following review of the information provided, officers have produced an initial estimate of the share of funding that East Lothian Council can expect to receive. It should be noted that this analysis is based on provisional information which is liable to change, and it has been necessary to estimate the distribution of a number of significant funding streams.
- 3.8 Based on the initial analysis, it is anticipated that East Lothian Council may see a funding uplift of £12.609 million, comprised of:
- £3.171m to be passported to the Integration Joint Board (IJB) to meet the cost of new policy commitments;
  - £2.043m to support new policy commitments within the Council, along with a further £0.680m which is linked to specific service areas;
  - £6.715m is potentially new, unringfenced funding.
- 3.9 Funding uplifts for the IJB are intended to meet the costs of the real living wage increase (£2.742 million), mental health recovery and renewal (£0.221 million) and free personal nursing care (£0.208 million).
- 3.10 Funding uplifts for new policy commitments within other Council services include:
- Children and young people’s community mental health £0.295m
  - Early learning and childcare workers’ pay £0.680m
  - Free school meals expansion £0.439m
  - Additional support for learning £0.629m (estimated share of £28 million uplift)
  - Teacher support £0.832m (estimated share of £41 million uplift)
- 3.11 As in previous years, the Council remains a contributor to the funding floor, and in 2025-26 the estimated contribution will be £2 million based on the provisional settlement. This represents a reduction of £0.7 million compared to the contribution in the current year.

- 3.12 The draft settlement also confirmed £20 million additional one-off funding allocated during 2024-25 to support the Scottish Welfare Fund. The council's share of this funding is £0.327 million. This is a welcome increase in the current year which has prevented the need to apply the 'high and most compelling' criteria for community care grants. However, given that the increased funding is not being provided on a recurring basis, the council continues to face a risk in relation to this budget and our capacity to provide the same level of financial support to residents who approach us in future years.
- 3.13 Although the anticipated funding increases are well received, a number of significant risks exist within the provisional settlement information:
- As already stated, the increase in employer NI contributions may give rise to pressures which will need to be met from the funding uplift. For Council employees, the estimated cost of the increase is £4.6 million. Therefore, a 50% shortfall in funding would give rise to a budget pressure of £2.3 million (of which £0.3 million would sit within IJB budgets). In addition, there may be cost pressures for commissioned services which will not be met through increased funding.
  - The teacher support grant, estimated at £3.784 million for 2025-26, is conditional on restoring teacher numbers to 2023 levels. It is currently unclear whether or not Scottish Government will accept mitigating factors to reduce this target. The potential cost of this condition if the proposed mitigations are not accepted is estimated at £0.795 million. In addition to this, the package of measures which make up the settlement include a commitment to exploring a phased reduction in class contact time and working to establish a statutory minimum number of learning hours. It is estimated that these additional measures could result in cost pressures in excess of £5 million if they were to become a condition of the grant.
  - The settlement information remains extremely complex, and councils have been given a deadline of 17 January 2025 for raising discrepancies. The provisional settlement will go through the parliamentary process before it is finalised in early March. Both of these factors present a likelihood that some of the figures may change.
  - This is a oneyear settlement covering 2025-26 only, therefore the position beyond this remains unclear.

#### Budget Model

- 3.14 Reports to Council and Cabinet over the last year have continued to highlight the challenging financial environment facing local government and the wider public sector.
- 3.15 At a local level, the Council continues to face significant challenges as a result of population growth and demographic change. These factors,

along with growing demand for statutory services, are continuing to increase the gap between available funding and expenditure requirements. As one of the fastest growing council areas in Scotland, this remains a significant challenge for East Lothian, and is set alongside other pressures facing the whole of the public sector including pay and contract inflation, along with increasing expectations arising from new policy commitments at a national level. Officers and Members have continued to raise awareness of these challenges through the appropriate channels within Scottish Government and CoSLA.

3.16 These risks are compounded by the uncertainty which arises from one-year funding settlements, which limit the Council's capacity to plan effectively to ensure financial sustainability over the medium term.

3.17 The high-level budget model has been updated to reflect the implications of the provisional settlement and is summarised within Appendix 1. This has been developed by officers working in conjunction with the administration and remains in draft.

3.18 Alongside the impact of the draft settlement, the updated model reflects:

- A provision of 3% for pay increases in 2025-26, 2026-27 and 2027-28, which represents consistency with the updated Public Sector Pay Policy. The later years include an allowance of 2%.
- Updates to estimated inflationary pressures, debt charges, revenue costs of capital and other service pressures.
- A 10% increase in council tax charges in 2025-26, with annual increases of 5% in the years subsequent to that.
- An assumption the cost of employer National Insurance contributions will be fully funded.
- An assumption that savings previously agreed by Council will be delivered, after reprofiling £2.5 million of savings linked to the asset review and income generation into later years.
- Use of the capital reserve to smooth debt charges between 2025-26 and 2027-28.
- An uplift of £7.417 million in the funding offer from the Council to the IJB (comprised of settlement uplifts totalling £3.171 million, assumed employer National Insurance contributions funding of £0.581 million and additional investment from the East Lothian Council of £3.665 million).
- Additional investment in other demand led services including Childrens Services (£2.756 million) and homelessness, to offset the growing range of pressures these services face.
- An assumption that funding allocated for Packaging Extended Producer Responsibility have a cost neutral impact on the 2025-26 budget. The Council's allocation of this funding for 2025-26 is

£2.630 million. This funding comes from DEFRA and does not form part of the provisional settlement, and details are awaited on the specific expectations linked to this funding, along with the impact on future finance settlements.

- 3.19 The budget model reflects a balanced position for 2025-26 with a 10% council tax increase. This means that any additional savings identified for 2025-26 could either provide additional resource to support Council Plan priorities, or be used to offset pressures arising in future years.
- 3.20 In line with the budget development framework, Council will consider a budget covering the next 5 years at the budget meeting on 18 February. Although the additional funding and 10% council tax increase will reduce the risks to achieving a balanced position in the next financial year, the funding position beyond this remains very uncertain and there is an estimated 5-year funding gap for the Council and IJB of £73.459 million. This gap will require further budget reductions and/or additional council tax increases to achieve a balanced position from 2026-27 onwards. Cabinet is therefore strongly recommended to consider measures to close the budget gap over the medium term as part of the budget proposals that will be made to Council for next year and beyond.

#### Growth Pressures

- 3.21 As noted already, the anticipated uplift in the funding settlement for 2025-26, combined with a 10% council tax increase, make it possible for some of the key risk areas within the budget to be addressed, without needing to identify further savings to offset this in 2025-26.
- 3.22 The funding uplift for these services is provided alongside ongoing efforts to deliver transformational change within the areas to improve outcomes and reduce the need for high-cost interventions. It will also help to mitigate some of the significant budget risks which the Council has faced throughout the current and previous years in relation to managing spend within the budget envelope.
- 3.23 The need for additional investment within Children's Services is evidenced through the significant increase in demand for statutory social work services, with a 30% increase observed since 2017, along with growing cost pressures which have resulted in budget overspends in recent years. This is partly driven by population growth alongside a combination of other pressures which have increased demand on children's services and increased the costs of providing these services.
- 3.24 The service is committed to prioritising continued efforts to prevent children and young people from requiring accommodation and returning children to East Lothian when this is in their best interests. It is considered that the increased funding reflected within the draft budget model will enable this focus to continue.
- 3.25 For adult social care, significant overspends are anticipated in the current financial year (£2.8 million, quarter 2), with further cost pressures forecast

for 2025-26 and beyond. This presents a significant risk to the Council's financial resilience, with a £2.8 million reduction in general balances anticipated as a result of the 2024-25 IJB budget overspend (based on the quarter 2 forecast).

- 3.26 As with children's services, population growth and demographic change have been key drivers of the cost pressures within the IJB, and these pressures have not been recognised by increased funding allocations through the finance settlement in recent years. Although this challenge is not unique to East Lothian, as one of the fastest growing local authority areas in Scotland, these pressures remain particularly acute.
- 3.27 The proposed funding uplift to the IJB in 2025-26 will be provided with a clear expectation that this is used to offset budget pressures and reduce the risk of overspends being transferred back to the Council. If the IJB is able to deliver £0.801 million of the savings that were agreed for 2024-25, it is expected that this will close the budget gap in relation to adult social care. However, the overall IJB budgets may still reflect a funding gap linked to NHS services.

Increased investment in these areas demonstrates alignment of resources with the short-term focus areas in the Council Plan, specifically targeting resources on statutory services and focussing on the highest risks and those most in need.

#### Council Tax

- 3.28 The draft budget model reflects indicative council tax increases of 10% in 2025-26 and 5% annual increases in the subsequent 4 years, which is consistent with the Financial Strategy and position agreed by Council as part of the 2024-25 budget. This follows the council tax freeze for the current year and if agreed would represent the first increase in council tax charges since 2023-24.
- 3.29 A 10% increase in the council tax charge represents a weekly increase to an average (band D) property of £2.75, and is estimated to result in increased council tax income of £9.456 million in 2025-26, which will support investment in Council services and mitigate the need for further budget reductions. This uplift also reflects estimated housing growth which is informed by data held by the Planning Service.
- 3.30 The Residents' Survey conducted in 2024 included focussed questions around the budget and council tax levels. The majority of respondents indicated a preference for moderate council tax increases rather than cuts to services, with 61% indicating that they would support a council tax increase of not more than £3 per week, which supports the rationale for a 10% increase in 2025-26.

#### General Services Capital

- 3.31 The provisional Local Government Finance Settlement comprises the following changes to the Council's capital funding in 2025-26:

- £0.471 million uplift to the General Capital Grant (total grant £5.301m)
- £0.140 million uplift to Private Sector Housing Grant (total grant £0.605m)
- £0.120 million uplift for Scottish Natural Heritage (total grant £0.161m, note that this line now includes the nature restoration funding)
- £0.112 million uplift in the Schools Fund (total grant £1.217m)

3.32 Alongside these upward movements, the draft settlement figures also reflect a significant clawback of forward funding for flood prevention schemes which has been paid to the Council in 2024-25. This represents a change to the timing of expected cash flows for flood scheme funding and does not impact on the availability of funding to support capital expenditure plans. However, the clawback has resulted in a distorted impact on the funding available for 2025-26 within the draft settlement figures, and officers are engaging in ongoing dialogue with civil servants with a view to resolving this through the final settlement. We will ensure that members are advised of any updates to the draft position resulting from these discussions.

3.33 A summary of the draft Capital Programme 2025-26 to 2029-30 is attached at Appendix 2. In the context of the capital grant figures set out above, and the low level of other funding streams relative to the overall expenditure demands, this presents a borrowing need that is becoming unaffordable.

3.34 The capital financing requirement for General Services currently stands at £402 million, and the proposed capital expenditure plans would give rise to increased borrowing of £128 million over the next 5 years. High interest rates (relative to recent years) also mean that annual debt charges are expected to exceed £20 million within the next 5 years.

3.35 Capital expenditure demands are principally driven by the need to deliver infrastructure to support housing growth in the county. However, this growth is not matched by increases in capital grant, and developer contributions are not sufficient to meet the full cost of these requirements, which has given rise to significant increases in borrowing demands. Furthermore, the revenue consequences associated with the creation of these assets are resulting in increased pressure on revenue budgets.

3.36 Council has already taken steps to try and reduce borrowing demands by introducing a £20 million target for capital receipts which can be used to fund capital investment and offset increases in borrowing demands. Realising this target will be reliant on the place-based review of assets progressing at pace over the next 2-3 years.

3.37 Work to review the Capital Programme in the context of affordability constraints is ongoing, with a view to identifying priority areas for investment and ensuring that capital expenditure plans yield the maximum benefit for the residents of East Lothian. This work encompasses a review



of planned investment in the learning estate, to ensure that capital expenditure delivers maximum value and aligns with the longer-term requirements of the education service.

### Housing Revenue Account (HRA)

- 3.38 The draft settlement announcement made reference to £200 million funding to support housing services, including £34 million for the Ukraine resettlement scheme and £40 million to enable open market acquisitions.
- 3.39 Funding to support the delivery of new affordable housing is key to budget considerations for the HRA; however, the Council's share of this subsidy will not be known until February.
- 3.40 The consultation on 2025-26 rent levels closed on 20 December, and the results of this are detailed in a Members' Library Service report. Tenants were asked for their views on a 7% rent increase, which would give rise to an average weekly increase of £5.75, along with feedback on priority areas for maintaining services and target areas of investment such as windows and doors, damp and mould, roofing and render together with other major works.
- 3.41 In response to consultation feedback, indicative budget planning is based on a 7% increase, and the draft HRA budget proposals attached within Appendix 3 reflect this. Over the coming weeks, meaningful consideration will need to be given to the views expressed in the rent consultation.
- 3.42 The Financial Strategy also includes a commitment to delivering the planned rent restructure and plans are under way to address this during 2025-26.
- 3.43 Cabinet will be aware that the financial strategy sets the following two key financial controls to ensure the sustainability of the HRA:
1. Recommended upper limit for the ratio of debt charges to income to 40% both in the short and longer term
  2. In support of contingency planning, ensuring that the reserve or balance left on the HRA does not fall below £1.0 million
- 3.44 As a general principle, higher rent increases will provide greater headroom for borrowing whilst remaining within these parameters, and therefore increase capacity for capital investment to modernise the existing housing stock and increase the supply of affordable housing.

### Next Steps

- 3.45 Over the coming weeks, further work will be needed to finalise the budget proposals for consideration by Council on 18 February. It is recommended that these considerations incorporate the following:
- Proposals to close the revenue budget gap for 2026-27 onwards; part of these considerations.

- Capital priorities for 2025-26 onwards, and scope to delay or pause planned spending within the general services capital budgets.
- Council tax levels for 2025-26, and indicative increases for planning purposes from 2026-27 onwards.
- Rent levels for 2025-26, and indicative increases for planning purposes from 2026-27 onwards.
- HRA capital expenditure priorities, taking on board the results of the consultation.

3.46 In line with the budget development framework, the cross-party budget group has continued to meet throughout 2024 to consider matters related to budget, including options to reduce spending across all service areas.

3.47 The below process was agreed by Council in December for development and approval of general services and HRA budgets for 2025/26:

**21 January 2025** – updated budget model presented to Cabinet for noting.

**27 January 2025 by midday** – deadline for group leaders who wish to submit draft budget proposals to the Head of Finance.

**28 January 2025** – draft budget proposals submitted for all groups shared with the cross-party group, after checking for competence.

**6 February 2025 by midday** – deadline for all groups to submit final budget proposals for the Council meeting.

**11 February 2025** – papers published for Council meeting.

**18 February 2025** – Council Budget Meeting

3.48 Dates for the budget bill are set out below:

Stage one: 4 February 2025

Stage two: 18 February 2025

Stage three: 25 February 2025

The debate on the LG Finance Order is usually held a week after stage three.

3.49 As this means that Council will agree the 2025-26 budget in advance of the settlement information being finalised, any changes which arise through the later stages of this process will be considered at a future meeting of Council.

## **4 POLICY IMPLICATIONS**

- 4.1 This report is for noting only and as such there are no direct policy implications arising from the recommendations. However, they will support the Council's overall achievement of its aims by ensuring sound financial management.

## **5 INTEGRATED IMPACT ASSESSMENT**

- 5.1 The subject of this report has been considered and given there is no change in policy direction, there is no requirement to undertake any further impact assessment. However, impact assessments will be undertaken as appropriate for any changes to service delivery or charges which are agreed through the development of the budget in order to ensure that decisions taken are informed by this.

## **6 RESOURCE IMPLICATIONS**

- 6.1 Financial – as described within the report and supporting appendices.
- 6.2 Personnel - none
- 6.3 Other – none

## **7 BACKGROUND PAPERS**

- 7.1 Council, 10 December 2024 - Financial & Capital Strategies 2025-30
- 7.2 Council, 27 August 2024 – Budget Development 2025-26 onwards
- 7.3 Members Library Service – Rent Consultation

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**High Level Revenue Budget Summary - General Services  
2025/26 - 2029/30**

	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Total £000
<b>Base Budget</b>	<b>316,734</b>	<b>342,019</b>	<b>343,897</b>	<b>346,892</b>	<b>351,814</b>	
<b>Growth</b>						
Pay	6,214	6,566	7,319	5,854	5,336	<b>31,289</b>
Employer National Insurance Increase	4,581	0	0	0	0	<b>4,581</b>
Inflation & Indexation	2,073	3,752	4,024	4,195	4,362	<b>18,406</b>
Growth including RCC	7,097	7,378	3,153	5,041	5,093	<b>27,762</b>
Growth Pressures - Children's Services	2,756	0	0	0	0	<b>2,756</b>
Growth Pressures - IJB	3,665	0	0	0	0	<b>3,665</b>
Debt Charges	8,109	-4,777	45	492	760	<b>4,629</b>
<b>Total Growth</b>	<b>34,495</b>	<b>12,919</b>	<b>14,541</b>	<b>15,582</b>	<b>15,551</b>	<b>93,088</b>
<b>Funding / income changes</b>						
RSG - additional funding	-7,395	0	0	0	0	<b>-7,395</b>
RSG - funding for new policy commitments (Council)	-2,043	0	0	0	0	<b>-2,043</b>
RSG - funding for new policy commitments (IJB)	-3,171	0	0	0	0	<b>-3,171</b>
RSG - funding for Employer National Insurance Increase	-4,581	0	0	0	0	<b>-4,581</b>
RSG - funding for existing policy commitments	-1,217	0	0	0	0	<b>-1,217</b>
SFT funding	269	73	63	6	0	<b>411</b>
Service Concessions Flexibility	-1,193	-107	42	-98	-277	<b>-1,633</b>
<b>Total Funding Changes</b>	<b>-19,331</b>	<b>-34</b>	<b>105</b>	<b>-92</b>	<b>-277</b>	<b>-19,629</b>
<b>FUNDING GAP COUNCIL + IJB</b>	<b>15,164</b>	<b>12,885</b>	<b>14,646</b>	<b>15,490</b>	<b>15,274</b>	<b>73,459</b>
Service Concessions - Contribution to Reserves	1,193	107	-42	98	277	<b>1,633</b>
SFT funding - Contribution to Reserves	0	1,595	-63	-6	0	<b>1,526</b>
Use of capital reserve	-7,759	5,475	4,219	0	0	<b>1,935</b>
Repayment of 2024/25 Reserves	1,000	0	0	0	0	<b>1,000</b>
General Fund Balance	1,006	-1,006	0	0	0	<b>0</b>
<b>Total Reserve Movements</b>	<b>-4,560</b>	<b>6,171</b>	<b>4,114</b>	<b>92</b>	<b>277</b>	<b>6,094</b>
Existing savings plans (breakdown below)	-3,120	-2,094	-1,585	0	0	<b>-6,799</b>
Risk to savings delivery	2,500	0	-1,000	-1,000	-500	<b>0</b>
Existing savings plans (IJB)	-801	0	0	0	0	<b>-801</b>
<b>Total Savings</b>	<b>-1,421</b>	<b>-2,094</b>	<b>-2,585</b>	<b>-1,000</b>	<b>-500</b>	<b>-7,600</b>
<b>BUDGET GAP REMAINING</b>	<b>9,183</b>	<b>16,962</b>	<b>16,175</b>	<b>14,582</b>	<b>15,051</b>	<b>71,953</b>
<b>PROPOSED ADDITIONAL SERVICE REDUCTIONS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Additional Investment - Other	273	0	0	0	0	<b>273</b>
<b>Total New Investment</b>	<b>273</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>273</b>
Council tax increase y1-5 10%/ 5% / 5% / 5%/ 5%	-9,456	-5,165	-5,196	-5,408	-5,734	<b>-30,959</b>
<b>REVISED BUDGET GAP COUNCIL + IJB</b>	<b>0</b>	<b>11,797</b>	<b>10,979</b>	<b>9,174</b>	<b>9,317</b>	<b>41,267</b>

## Breakdown of Planned Savings

	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Total £000
<b>EXISTING SAVINGS (previously agreed by Council)</b>						
<u>Deliverable Savings</u>						
Finance staffing reductions	0	0	-85	0	0	-85
Shared Services Arrangement - Internal Audit	-45	-14	0	0	0	-59
Project Manager cost saving City Deal	0	-80	0	0	0	-80
Income generation	0	-1,000	-500	0	0	-1,500
Asset Review	0	-1,000	-1,000	0	0	-2,000
Income generation	-100	0	0	0	0	-100
Reduction in budget for IMI	-235	0	0	0	0	-235
Redesign of libraries service	-120	0	0	0	0	-120
Income generation	-120	0	0	0	0	-120
						0
<u>Savings with Delivery Risks</u>						0
Income generation	-900	0	0	0	0	-900
Asset Review	-1,000	0	0	0	0	-1,000
Further asset review savings	-600	0	0	0	0	-600
	-3,120	-2,094	-1,585	0	0	-6,799
<u>Reprofile of Savings with Delivery Risks</u>						
Income generation	900	0	-900	0	0	0
Asset Review	1,000	0	-100	-400	-500	0
Further asset review savings	600	0	0	-600	0	0
	2,500	0	-1,000	-1,000	-500	0
<b>TOTAL BUDGET SAVINGS &amp; EFFICIENCIES</b>	<b>-620</b>	<b>-2,094</b>	<b>-2,585</b>	<b>-1,000</b>	<b>-500</b>	<b>-6,799</b>

## Reconciliation of IJB Position

<b>Growth</b>						
Pay	757	785	907	665	673	3,787
Employer National Insurance Increase	581	581	581	581	581	2,905
Inflation & indexation	2,553	2,816	2,957	3,104	3,257	14,687
Growth including RCC	4,327	530	487	260	153	5,757
<b>TOTAL</b>	<b>8,218</b>	<b>4,712</b>	<b>4,932</b>	<b>4,610</b>	<b>4,664</b>	<b>27,136</b>
<b>Funding / income changes</b>						
Additional Investment from East Lothian Council	-3,665	0	0	0	0	-3,665
RSG - funding for new policy commitments	-3,171	0	0	0	0	-3,171
RSG - funding for Employer National Insurance Increase	-581	0	0	0	0	-581
<b>TOTAL</b>	<b>-7,417</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-7,417</b>
<b>FUNDING GAP - IJB</b>	<b>801</b>	<b>4,712</b>	<b>4,932</b>	<b>4,610</b>	<b>4,664</b>	<b>19,719</b>
Existing savings plans	-801	0	0	0	0	-801
<b>FUNDING BUDGET GAP - IJB</b>	<b>0</b>	<b>4,712</b>	<b>4,932</b>	<b>4,610</b>	<b>4,664</b>	<b>18,918</b>

	P6 (Q2) Outturn 2024/25 £000	Year 1 2025/26 £000	Year 2 2026/27 £000	Year 3 2027/28 £000	Year 4 2028/29 £000	Year 5 2029/30 £000	5 Year Total £000	External Funding £000	GCG funding/ Borrowing Requirement £000
<b>Expenditure</b>									
Total Community Projects	2,007	1,406	312	300	300	300	2,619	(718)	1,901
Total ICT	2,400	2,321	2,403	2,431	2,300	2,300	11,755	-	11,755
Total Fleet	4,780	5,974	2,281	2,143	3,908	2,700	17,006	-	17,006
Total Open Space	6,215	6,576	6,995	6,791	23,723	37,466	81,551	(67,842)	13,708
Total Roads, Lighting and related assets	15,093	16,323	15,611	16,770	11,590	11,590	71,884	(7,705)	64,179
Total Property - Education	59,121	12,613	4,475	7,427	10,651	18,702	53,869	(27,253)	26,616
Total Property - Other	21,074	15,791	8,089	2,331	2,240	2,240	30,691	(7,635)	23,055
PPP Projects	-	-	-	-	-	-	-	-	-
Capital Plan Fees	2,524	2,650	2,730	2,812	2,896	2,983	14,070	-	14,070
<b>Total Gross Expenditure</b>	<b>113,214</b>	<b>63,654</b>	<b>42,896</b>	<b>41,004</b>	<b>57,608</b>	<b>78,281</b>	<b>283,444</b>		<b>172,291</b>
<b>Income</b>									
Developer contributions	(10,483)	(6,344)	(2,760)	(4,118)	(7,345)	(12,207)	(32,775)		
1140 grant income	-	(173)	-	-	-	-	(173)		
Town centre regeneration grant income	(470)	(208)	-	-	-	-	(208)		
Flood scheme general capital grant	(16,980)	(986)	(1,345)	(3,648)	(13,699)	(20,979)	(40,656)		
Other	(17,421)	(10,148)	(3,684)	(560)	(5,210)	(9,370)	(28,972)		
Capital receipts	(8,065)	(7,369)	(5,000)	(5,000)	(2,000)	(4,000)	(23,369)		
Scottish Government general capital grant	(26,486)	(4,242)	(4,892)	(4,892)	(7,211)	(7,211)	(28,447)		-
<b>Total Income</b>	<b>(79,905)</b>	<b>(29,470)</b>	<b>(17,681)</b>	<b>(18,218)</b>	<b>(35,465)</b>	<b>(53,767)</b>	<b>(154,601)</b>	<b>(111,153)</b>	<b>(43,447)</b>
<b>Net Borrowing Requirement</b>	<b>33,309</b>	<b>34,185</b>	<b>25,215</b>	<b>22,786</b>	<b>22,143</b>	<b>24,514</b>	<b>128,843</b>		<b>128,843</b>





Housing Revenue Account  
Draft Budget 2025/26 to 2034/35

Appendix 3

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000	2028/29 Budget £'000	2029/30 Budget £'000	2030/31 Budget £'000	2031/32 Budget £'000	2032/33 Budget £'000	2033/34 Budget £'000	2034/35 Budget £'000

Rent Increase	7%	5%	5%	5%	5%	5%	5%	5%	5%	5%
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Income	-44,064	-46,809	-49,617	-52,449	-55,253	-58,200	-61,233	-65,463	-68,731	-72,160
Expenditure	40,439	42,564	44,206	46,084	47,839	48,707	50,451	51,687	51,841	53,192

Opening Surplus	-2,017	-1,542	-1,687	-1,698	-1,663	-1,677	-1,670	-1,652	-1,628	-1,618
CFCR	4,100	4,100	5,400	6,400	7,400	9,500	10,800	13,800	16,900	18,900
Surplus for the Year	-3,625	-4,245	-5,411	-6,365	-7,414	-9,493	-10,782	-13,776	-16,890	-18,968
Closing Surplus	-1,542	-1,687	-1,698	-1,663	-1,677	-1,670	-1,652	-1,628	-1,618	-1,686

Debt Charges	15,957	17,328	18,238	19,223	20,175	20,214	21,104	21,425	20,668	21,080
Debt to Income Ratio	-36.21%	-37.02%	-36.76%	-36.65%	-36.51%	-34.73%	-34.47%	-32.73%	-30.07%	-29.21%

Capital Programme	2025/26 Budget £'000	2026/27 Budget £'000	2027/28 Budget £'000	2028/29 Budget £'000	2029/30 Budget £'000	2030/31 Budget £'000	2031/32 Budget £'000	2032/33 Budget £'000	2033/34 Budget £'000	2034/35 Budget £'000	10 Year Total £'000
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**Expenditure**

Modernisation	13,375	14,248	15,911	16,716	17,381	17,725	18,185	18,916	19,559	20,202	172,218
Energy Efficiency	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	25,000
New Affordable Council Housing	20,972	18,429	17,608	11,980	5,500	5,500	0	0	0	0	79,989
Fees	1,496	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	14,996
Mortgage to Rent	280	280	280	280	280	280	280	280	280	280	2,800
<b>Total</b>	<b>38,623</b>	<b>36,957</b>	<b>37,799</b>	<b>32,976</b>	<b>27,161</b>	<b>27,505</b>	<b>22,465</b>	<b>23,196</b>	<b>23,839</b>	<b>24,482</b>	<b>295,003</b>

**Funding**

CFCR	4,100	4,100	5,400	6,400	7,400	9,500	10,800	13,800	16,900	18,900	97,300
New Build Grants	5,303	2094	0	0	0	0	0	0	0	0	7,397
Mortgage to Rent Subsidy	196	196	196	196	196	196	196	196	196	196	1,960
Borrowing	29,024	30,567	32,203	26,380	19,565	17,809	11,469	9,200	6,743	5,386	188,346
<b>Total</b>	<b>38,623</b>	<b>36,957</b>	<b>37,799</b>	<b>32,976</b>	<b>27,161</b>	<b>27,505</b>	<b>22,465</b>	<b>23,196</b>	<b>23,839</b>	<b>24,482</b>	<b>295,003</b>

