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**Report to: Clackmannanshire Council**

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**Date of Meeting: 16 December 2021**

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**Subject: Budget Strategy Update**

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**Report by: Chief Finance Officer**

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## **1.0 Purpose**

- 1.1 This paper provides an update on the Councils Budget Strategy and the process for setting the 2022/23 General Fund and HRA Revenue and Capital Budgets to ensure a balanced position.

## **2.0 Recommendations**

2.1 Council is asked to note:

2.1.1 the financial impact of the Covid19 pandemic on projected revenue outturns as at August;

2.1.2 the 2022/23 indicative budget gap and illustrative Low, Medium and High scenarios and the Local Authority Settlement;

2.1.3 the budget approach to setting the 2022/23 budget to ensure a balanced position and progress update;

2.1.4 progress on the GF and HRA budget process for 2022/23 and timeline of key activities.

2.2 Council is asked to approve:

2.2.1 Funding from uncommitted reserves to meet the in year cost pressure for property Repairs and Maintenance up to an amount of £0.585m (para 3.4)

### **3.0 Financial Overview 2021/22**

#### **General Fund Revenue**

- 3.1 The Covid19 pandemic continues to have a significant impact on the Councils financial position for 2021/22. At the previous Council meeting in October, Council approved the use of the earmarked discretionary COVID funding to offset in year COVID spend across services. The latest forecast outturn report as at August presented to the Audit Committee in November 2021 indicated a projected overspend of £2.445m, of which £2.174m directly related to Covid19. Allocating the earmarked discretionary funding would reduce this overspend to £0.945m.
- 3.2 It was agreed that as the in year forecasted overspend due to COVID and the balance on the earmarked reserves may fluctuate throughout the year, that this will be monitored and the allocation adjusted to reflect the final position as at 31 March 2022. The allocation of any further funding will also be considered and offset against Covid19 spend as appropriate.
- 3.3 Further details on the financial impact of COVID19 for 2021/22 will continue to be reported through monitoring reports to Service Committees with a summarised Council position reported to the Audit Committee.
- 3.4 During the year there has been an abnormal amount of unforeseen additional repairs and maintenance required to the property portfolio. This has resulted in a forecasted unbudgeted in year cost pressure of £0.585m. Council is asked to approve the use of uncommitted reserves upto the value of £0.585m to fund this pressure where the pressure cannot be met from the existing budget.
- 3.5 The total abnormal repairs and maintenance costs for the year are forecast to be £0.631m, however, some of these costs have already been absorbed into the existing revenue budget. The remaining balance of £0.585m is required to meet current year liabilities. The abnormal cost items have been grouped into three main areas of spend; Bedford Place £291k, vacant public buildings £156k and essential spend on other public buildings £184k. Further details of spend within the 3 areas are provided in Appendix 2.

### **4.0 Indicative Budget Gap 2022/23**

- 4.1 In the absence of any further information at this time, the indicative budget gap for 2022/23 and future years remains to be based on the assumptions previously set out in the 2021/22 Budget paper with an indicative budget gap for 2022/23 of £5.980m rising to £13.656m by 2024/25. Low Medium and High Scenarios reflecting uncertainty around possible scenarios were presented in the last Budget Strategy paper to Council in October and these also remain unchanged. In these scenarios the indicative gap ranges from £5.508m to £13.142m with a cumulative indicative gap of between £12.240m and £35.142m.
- 4.2 **Appendix 1** provides detail of the Indicative gap and Low, Medium and High scenarios and the assumptions used.

## **Budget Settlement**

- 4.3 It is anticipated that the assumptions within the indicative gap will be able to be revised following the budget announcements throughout December:
- Draft Scottish budget expected 9<sup>th</sup> Dec which will provide a high level summary of the total Budget for Scotland with indicative figures for 2023/24 and 2024/25,
  - Local Authority Settlement is due to be announced on 16 December with the Draft circular setting out full details issued on 20 December.
- 4.4 These announcements will be analysed to assess the impact of the settlement on the Councils budget gap. In particular, the draft settlement should provide confirmation of the level of core Grant funding, information on any constraints on the setting of Council Tax Levels and any ringfenced funds for Health and Social Care that may offset proposed demand pressures.

## **5.0 2022/23 Budget Approach**

- 5.1 The Budget Approach for 2022/23 has previously been set out in Budget Strategy updates to Council and in the recent briefings to All members and Trade Union representatives. The leading approach for this year is to focus on Strategic Analysis. This covered a number of key tasks including: historic trend analysis using various sources of internal and external data, forward looking demand pressures and the risk and impact of various cash reduction scenarios.
- 5.2 This work is progressing and has been used to inform discussions to identify and prioritise investment for future years and the resultant development of savings and pressures.

## **General Fund Capital**

- 5.3 In the 2021/22 Budget, Council set an ambitious 20year programme of capital investment. As part of budget process for 2022/23 the programme is being reviewed and updated for any known changes or estimated uncertainty due to factors such as Brexit and Covid and for any new investment priorities. Officers have been working with the Capital Accountant reviewing each project against the following challenge areas:
1. Affordability and deliverability – does the Phasing of the projects and the estimated costs require updating – impact of current economic conditions around the availability of resources covering suppliers/contractors, materials, skilled labour both internally and externally
  2. Priority – are the approved projects still the investment priority, recognising changing demands
  3. New bids – are there new projects that can be achieved instead of others that are being rephased

4. Affordability – is the revised programme still affordable in line with increased interest rates.
- 5.4 2 Workshops have been held with officers to review and scrutinise the revised plans to formulate proposals for revision to the programme. It is intended these will then be presented to members for discussion.

## 6.0 2022/23 Budget Process and Timeline

6.1 The budget timeline was set out in the Budget Strategy Report to council in August. This section sets out the progress so far and updates the indicative timeline.

6.2 Progress during October to December since the last budget report to Council in October:

- **Briefings** - Initial session held with the Administration Group. This session set out the current budget gap and assumptions and budget approach. Briefings for All Members and Trade Union representatives were held week beginning 15<sup>th</sup> November.
- **Capital** - Officers reviewing capital projects within approved programme and preparing business cases for any capital bids. 2 Capital Workshops held with Officers to review and revise the agreed capital budget and to scrutinise new capital bids including nay jointly related with HRA.
- **Demand Pressures** - 3 Sessions have been held with SLG to review and agree proposed Demand pressures.
- **Savings** - Work ongoing to refine proposed savings and identify any further savings. Directors are meeting to discuss savings proposals with Conveners.
- **HRA** - draft budget preparation work including review of rent level and proposals out for consultation with the tenants federation.

6.3 An indicative budget timeline for further budget activities is set out below.

- **December** – Release of the Draft Local Authority Settlement which will be reviewed and the indicative gap assumptions updated to reflect the proposed settlement. Briefing on the impact of the settlement to be issued to all members.

Demand pressures proposal finalised - Budget gap will be updated with proposed bids.

SLG to review the remaining budget gap after applying savings and pressures proposals and further development of proposals will take place if required.

- **January** – roll-forward budget to be completed and the Budget gap updated.

Consultation and engagement activity to be concluded for both GF savings proposals and HRA rent levels.

Further work by Officers on refining and finalising savings proposals and to refine and prioritise the Capital Budget.

Briefings will be held with Elected Members and Trade Union representatives to provide an update on: the Settlement impact, any changes to assumptions, approved savings and demand pressures and the resultant budget gap.

- **February/March** - A workshop will also be held with Senior Officers and the Administration Group to finalise the Administration's Budget.

The 2022/23 budget proposal will be finalised and Full Council meeting will be held to set the 2022/23 Budget.

2022/23 HRA budget to be finalised and presented to Council for approval no later than Thursday 10 February 2022. This is to enable compliance with the mandatory notice period to tenants of any rent change.

- 6.4 Updates on progress on this timeline will be provided at briefings and through future Budget Strategy reports to Council.

## 7.0 Sustainability Implications

- 7.1 There are no direct environmental sustainability implications arising from this report.

## 8.0 Resource Implications

### 8.1 *Financial Details*

- 8.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes

- 8.3 Finance has been consulted and has agreed the financial implications as set out in the report. Yes

### 8.4 *Staffing*

- 8.5 There are no direct staffing implications arising from this report.

## 9.0 Exempt Reports

- 9.1 Is this report exempt? Yes  (please detail the reasons for exemption below) No

## 10.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box )

- Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all
- Our families; children and young people will have the best possible start in life
- Women and girls will be confident and aspirational, and achieve their full potential
- Our communities will be resilient and empowered so that they can thrive and flourish

(2) **Council Policies** (Please detail)

**11.0 Equalities Impact**

- 11.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?  
Yes  No

**12.0 Legality**

- 12.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

**13.0 Appendices**

- 13.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix 1 – Indicative Budget Gap and Assumptions

Appendix 2 – Buildings Repairs and Maintenance Additional Spend



**14.0 Background Papers**

- 14.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)  
General Services Revenue and Capital Budget 2021/22

**Author(s)**

<b>NAME</b>	<b>DESIGNATION</b>	<b>TEL NO / EXTENSION</b>
Lindsay Sim	Chief Finance Officer	2022

**Approved by**

<b>NAME</b>	<b>DESIGNATION</b>	<b>SIGNATURE</b>
Lindsay Sim	Chief Finance Officer	
Stuart Crickmar	Director of Partnership & Performance	

## INDICATIVE BUDGET GAP

Extract from Budget Strategy Report presented to Council in October 2021

**Table 1: Indicative budget gap 2022/23 to 2024/25 – Low, Medium & High**

Annual Indicative Funding Gap	Current £000	Low £000	Medium £000	High £000
2022/23	<b>5,980</b>	5,508	9,206	13,142
2023/24	<b>4,156</b>	3,684	7,382	11,318
2024/25	<b>3,520</b>	3,048	6,746	10,682
<b>Cumulative Indicative Funding Gap</b>	<b>13,656</b>	<b>12,240</b>	<b>23,334</b>	<b>35,142</b>

**Table 2: – Budget Gap Variables**

Variables	Current £000	Low £000	Medium £000	High £000
Pay Award	2%	3%	4%	5%
Grant Funding	0%	+1%	-1%	-3%
Council Tax	3%	3%	2%	0%
Demand Pressures	£2.5m	£2m	£3m	£4m

- 4.3 The table above shows the Current indicative budget gap for 2022/23 is £5.980m with a cumulative indicative gap of £13.656m upto 2024/25. The indicative gap across the Low, Medium and High scenarios for 2022/23 ranges from £5.508m to £13.142m with a cumulative indicative gap of between £12.240m and £35.142m.
- 4.4 It should be noted that the Low, Medium and High scenarios are illustrative of a possible range of outcomes for each variable and it is unlikely that all variables will realise as they are set out in one scenario. As further information becomes known on each variable, this will be factored into the scenarios and planning assumptions and reported through briefings and/or future budget strategy reports.



## BUILDING REPAIRS AND MAINTENANCE ADDITIONAL SPEND

<b>ABNORMAL Revenue Spend - Bedford Place</b>	
Scaffolding per annum	£24,000
Security/Intruder systems	£15,000
Professional Fees	£83,000
Additional propping and repairs	£169,000
<b>Total</b>	<b>£291,000</b>

<b>ABNORMAL Revenue Spend on vacant public buildings</b>	
Clacks Primary and Secondary Support Unit	£28,562
St Mungos	£8,157
Ditch Farm	£974
ABC Nursery	£1,498
Alloa Leisure Bowl	£5,641
Marshall House	£769
Greenfield House	£31,518
Glentana Mill	£1,102
<b>Total Cost Year to date (7mths)</b>	<b>£78,221</b>
<b>Total Forecasted cost to year end</b>	<b>£156,000</b>

<b>ABNORMAL Revenue Spend on other essential Public Buildings</b>	
Deerpark/Lochies Primary School (additional security measures vandalism repairs, attendances for call outs)	£56,000
Park Primary School Structural Works Gym Hall	£50,000
St Bernadettes/The Orchard	£5,000
Car Park Improvement Works Dumyat Centre	£23,000
Class Cuisine Refurbishment Works	£50,000
<b>Total</b>	<b>£184,000</b>