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**Report to: Clackmannanshire Council**

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**Date of Meeting: 18 May 2022**

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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. The purpose of this report is to maintain Council's regular update on the approved Budget Strategy. This report paper sets out the Budget approach for 2024/25 including a draft timeline of key milestones and briefings.

## **2.0 Recommendations**

2.1 Council is asked to:

2.1.1 note the indicative funding gap of £11.6m in 2024/25 rising to £22.0m by 2026/27 (Table 1);

2.1.2 note the assumptions on which the indicative funding gap for the year 2024/25 to 2026/27 is based (paragraphs 3.3 to 3.6);

2.1.3 note the budget approach for 2024/25 including the formation of a Budget Working Group and timeline of Budget Challenge sessions (paragraph 4.3);

2.1.4 note the draft timeline of key milestones in preparing the budget and briefings (paragraph 4.10 and Appendix A)

2.1.5 note the re-established officer Capital Operations Group and associated remit (section 5.0);

2.1.6 note the approach for the HRA Revenue and Capital Budget (section 6.0)

## **3.0 Indicative Funding Gap 2024/25**

- 3.1 Included within the General Revenue Budget for 2023/24 approved by Council in March 2023, was the indicative budget gap for 2024/25 and the following 2 years to 2026/27 as set out in the table below. The indicative budget gap for 2024/25 is estimated to be £11.6m rising to a cumulative gap of £22m by 2026/27.

**Table 1: General Services Budget - Indicative funding gap 2024/25 to 2026/27**

<b>Annual Indicative Funding Gap</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>
Expenditure	160,045	166,588	172,019
Income	(148,484)	(149,304)	(150,052)
Gap	11,561	5,723	4,683
<b>Cumulative Indicative Funding Gap</b>	11,561	17,284	21,967

3.2 The main assumptions included within the indicative budget gap for the years 2024/25 to 2026/27 are set out in the table below:

**Pay Award**

3.3 As the pay award for 2023/24 has not yet been agreed and uncertainty surrounding future levels of inflation, the indicative budget gap for 2024/25 reflects inflation equivalent to approximately 2% and a further 2% in future years. Each 1% increase is equivalent to £0.800m.

**Council Tax**

3.4 The indicative gap reflects a 3% increase in the level of Council Tax for 2024/25 and future years. Each 1% change is equivalent to c£0.244m.

**Grant Funding**

3.5 The indicative gap is based on a flat cash basis for general fund grant for 2024/25 and future years. Each 1% change is equivalent to c£0.850m.

**Demand Pressures**

3.6 The indicative gap includes an amount for inflationary increases of £2.5m in all years. Due to increased inflation over the last 3 years, this figure is only expected to offset Contract Inflation with General Inflation needing to be met through additional savings.

3.7 There is much uncertainty around funding for future years and fluctuations in the main assumptions as set out above can have a significant impact on the budget gap. Recent high levels of inflation, cost of living, the pay award for current and future years and the local government settlement may significantly impact on these assumptions.

3.8 Further modelling scenarios and updates on planning assumptions will be prepared for future strategy updates to Council as updated information becomes available.

## 4.0 2024/25 Budget Strategy

- 4.1 This is an extremely challenging time for Local Government, in the context of service and financial sustainability with projected budgets and services unlikely to be able to meet demand in the medium to longer term. As noted above, this equates to a cumulative funding gap of £22.0m over the next three years to March 2027, and an indicative gap of £11.6m for 2024/25 alone.
- 4.2 As a consequence, the Council needs to prioritise reducing its expenditure further on an ongoing basis. The proposed budget approach for 2024/25 aims to ensure that the requirement for the Council to maintain a balanced budget position is met, addressing the existing budget deficit and financial sustainability in the longer term. The budget Challenge Board met on 6<sup>th</sup> April to review the process for 2023/24 and recognised that whilst the budget process worked well for 2023/24 and Council achieved a balance budget whilst also maintaining significant investment in its Transformation activity and Capital programme, further improvements could be made. The proposed approach for 2024/25 budget setting has therefore been revised and is detailed below.
- 4.3 It was agreed that a Budget Working Group would replace the Budget Challenge board. This group is to be chaired by the Chief Finance Officer and attended by the Chief Executive and the Directors of each Portfolio area. The function of the group will be to:
- oversee the whole budget process
  - set a clear planned timeline for all key elements of the budget and ensure that this timeline is adhered to
  - clearly assign responsibilities for each key element
  - provide constructive challenge across portfolio areas
  - provide regular updates to Elected Members and Trade Unions
  - direct the work of sub groups including Senior Leadership Forum (SLF) and the Capital Operations Group.
- 4.4 The budget process will include 3 Budget Challenge Sessions to be held in June, September and November. These sessions will provide a mechanism for the strategic review and challenge of departmental spending requirements and demand pressures. Each session will focus on individual portfolio area as well as cross portfolio to identify opportunities to look at broader options for improvement within and between services.
- 4.5 To maximise the benefit of the sessions, guidance and templates will be issued for completion in advance of each session with set timelines. This will enable information to be gathered in a consistent format and assist with collation. Services will be required to review their outturn position to ensure that the service budget remains aligned with planned activity, reaffirm the delivery of any Year 2 savings previously submitted through the Budget process, set out known demand pressures and submit any new savings proposals. Directors will work with Senior Managers and budget holders in their service area to complete the required information.
- 4.6 As part of these first Budget Challenge sessions, a session has also been scheduled for Cross cutting discussions where all Directors will be present along with the Chief Executive and Chief Finance Officer. These discussions

will be focussed on streamlining and maximising the integration of service delivery between services linked to the Target Operating Model (TOM). This will be achieved by delivering service redesign proposals which seek to minimise the potential duplication and overlap in our current arrangements, access new funding streams and /or establish new partnership arrangements. The Budget Working Group will work with the Senior Leadership Forum (SLF) to identify proposals for priority development aligned with phase 1 of the TOM.

- 4.7 Following each Budget Challenge Session, a briefing will be provided for elected members on the emerging themes and proposals. The first of these briefings will be held in August (post recess).
- 4.8 It is recognised that closing the budget gap is not just an annual activity and should be the focus of year round activity to ensure ongoing sustainability. This early engagement will allow savings proposals to be developed and approved during the year in advance of the final budget setting following the release of the draft settlement.
- 4.9 The consultation and engagement process for 2023/24 consisted of a four stage approach. The first two phases were carried out prior to setting the budget with the third phase focusing on communicating the approved budget decision. The fourth phase focuses on 2024/25 and will be similar to phases one and two and is scheduled for September and December.
- 4.10 A draft timeline of key milestones and briefings are shown in Appendix A. Diary appointments will be issued as soon as possible in advance to provide a clear timeline and ensure regular updates. Further updates on the budget setting process will continue to be provided through these budget strategy reports to Council

## **5.0 Capital Operations Group**

- 5.1 As part of the 2024/25 Budget Setting Approach, the Capital Operations Group is being re-established. This group is aligned to the work of the Budget working Group and will be lead by the Chief Finance Officer with representations from each service area.
- 5.2 The Capital Operations Group will align with the work of the Budget Working Group with outcomes reported into the Budget Working Group following each meeting. The capital operations group will ensure capital expenditure requirements of proposed changes are viable in line with the Council's Treasury Management Strategy that states capital plans must be prudent, sustainable and affordable. This approach aims to ensure that in setting out the medium term spending plans for the Council, it is possible to profile the revenue and capital investment required and when savings and efficiencies can subsequently be realised.
- 5.3 The membership of the Capital Operations Group is being reviewed with Director nominations. The remit is also being reviewed and will include:
- to align with the work of the Budget Working Group to provide appropriate development and operational support at officer level

- reinvigorate and improve the volume, quality and strategic relevance of capital bids submitted through the capital project appraisal framework, providing more integrated capital bid opportunities which are linked to the asset management plans and the Corporate Asset Management Strategy.
- improve the co-ordination and schedules of bids for investment on the ground irrespective of whether these are funded by General Services Capital Grant, Specific Capital Grant, Housing Revenue Account, external funding streams and/ or planning gain
- further improve the transparency over the collective Programme of capital investment
- further improve the governance over the capital bid and investment process
- contribute, as appropriate to the new Budget Challenge process which will also consider the capital investment requirements of new approaches.

5.4 It is anticipated that meetings will be held on a regular basis every two months with additional meetings being called as required to progress specific areas of work aligned to the Budget Working Group.

## **6.0 HRA Revenue & Capital Budget**

6.1 As in previous years the HRA Revenue and Capital budgets will also form part of the budget setting process. During 2023/24 three key pieces of work are planned:

- A refresh of the 30 year business plan which will include an update to the capital programme, and
- A review of Central support recharges between the General fund and the HRA to ensure that appropriate costs are accounted for in line with national guidance, and
- The annual Rent consultation with tenants.

6.2 The 2024/25 HRA Revenue and Capital budget will be put forward to Council in early 2024 in line with the timescales for issuing any notice to tenants of changes in rent levels.

## **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 - Budget 2024/25: Key Milestones, Timeline and Outputs

### 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 2023/24
- Housing Revenue Account Budget 2023/24 and Capital Programme 2022/23

#### Author(s)

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

#### Approved by

NAME	DESIGNATION	SIGNATURE
Lindsay Sim	Chief Finance Officer	
Stuart Crickmar	Director of Partnership & Performance	





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## Budget 2024/25: Key Milestones, Timeline and Outputs

Task/ milestone	Timing	Stakeholders/ attendees	Output
Budget Challenge Session 1	Weeks commencing 5 <sup>th</sup> and 19 <sup>th</sup> June	Directors, CEX, CFO	First tranche for proposed savings & pressures: populate template
Members Briefing and TU Briefing	August	All Elected Members, TU's, Directors, CEX, CFO	Output of Budget Challenge Session 1
HSCP Strategic Plan: Review of Priorities and Funding	August	HSCP Chief Officer & CFO, CEX, Leader and CFO	HSCP Strategic Plan priorities linked to resource transfer and savings requirement & pressures
Budget Challenge Session 2	September	Directors, CEX, CFO	
Capital Bids Submitted	September	Capital Operations Group (officer operational group)	Draft capital bid preparation
Budget Consultation	September	SLG, Leader	
Members Briefing and TU briefing	October	All Elected Members, TU's, Directors, CEX, CFO	Output of Budget Challenge Session 2
HRA	October	Director Place & HRA Senior Manager	Business Plan Review
Draft Capital Plan	October	CFO, Capital Operations Group	Capital Plan Review
Budget Challenge Session 3	November	Directors, CEX, CFO	
External consultation and engagement	November	SLG, Leader	
Members Briefing and TU Briefing	December	All Elected Members, TU's, Directors, CEX, CFO	Output of Budget Challenge Session 3
Capital Bid Corporate Round Table	November	CFO, Capital Operations Group	Final Capital bids
Consultation Outcome	December		
Proposed Capital Plan	January	CEX, CFO & Direcotes	Finalise proposed Capital Plan

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Task/ milestone	Timing	Stakeholders/ attendees	Output
HSCP Resource Transfer	January	HSCP Chief Officer & CFO, CEX, Leader and CFO	Resource transfer position consolidated for integration with Council budget
HRA	January	Director Place, HRA Senior Manager & CFO	Finalise proposed HRA Budget
Members Briefing and TU Briefing	January	All Elected Members, TU's, Directors, CEX, CFO	Budget Gap update following draft settlement & Proposed Capital Plan
Pre consultation draft Budget	January	Administration, SLG, CFO	Draft Budget subject to consideration of consultation responses.
<b>Budget setting – General Fund &amp; HRA</b>	<b>By end of February</b>	<b>Special Council</b>	<b>Final Budget</b>

Key			
Pink	Capital Budget development	Sage	Consultation & Engagement
Purple	Budget Challenge Sessions	Red	Budget Setting
Green	HSCP	Orange	Elected Member and TU Briefings
Blue	HRA		

- In addition to the above the Budget Working Group will also be held on a Monthly basis consisting of the Chief Executive, Chief Finance Officer and Directors.
- The Capital Operations Group will meet every second month and consisting of the Chief Finance Officer, Directors and relevant officers.