

**CLACKMANNANSHIRE COUNCIL**

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**Report to Clackmannanshire Council**

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**Date of Meeting: 27 June 2019**

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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 provides an update on the approved 2019/20 Budget and the Budget process for 2020/21.

**2.0 Recommendations**

- 2.1. It is recommended that the Council notes, comments and challenges the information contained in this report as appropriate.

**3.0 2019/20 Budget**

**3.1 Settlement Order**

On 7 March 2019 the Scottish Parliament approved the Local Government Finance (Scotland) Order 2019. The order provides the statutory authority to pay the General Revenue Grant for 2019-20.

The Order provides confirmation of the additional £0.834m of revenue grant funding contained within the Councils 2019/20 approved budget. Further allocations of funding as assumed in the 2019/20 approved budget will be confirmed throughout the year.

**3.2 Approved Savings 2019/20**

At its budget meeting in March 2019, Council approved £4.810m of savings split by division as shown in the following table.

**Table 1: General Services Revenue Budget 2019/20 distribution of planned savings by service.**

<b>Division</b>	<b>Service Savings 2019/20 (£'000)</b>
People	1,626
Place	562
Partnership & Performance	2,622
<b>TOTAL</b>	<b>4,810</b>

- 3.3 Within the £4.810m savings shown above there is an approved saving of £1.000m for the Loans Fund. This saving reflects revised Statutory Legislation that allows Local Authorities to simplify their accounting treatment of the loans fund and reprofile loans fund charges over a standard number of years rather than using varying repayment profiles. There had been a challenge by Audit Scotland as to where the regulations allowed this to be applied to loans prior to 2016 when the new regulations came into effect which would have limited the amount of savings available. However, this challenge has now been withdrawn with several QC's opinions confirming that the regulations do allow authorities to re-profile their loans fund payments prior to the introduction of the new regulations in 2016. This means that the saving of £1.000m will be achievable for 2019/20 and further savings may also be available as this was a prudent estimate. A further report will come forward to Council to approve the Policy change which will identify the potential savings.
- 3.4 Accountancy staff will work with budget holders throughout the year to monitor progress on delivering savings. Progress on the achievement of savings will be reported through relevant Committees and through future Budget Strategy updates to Council. Where any savings cannot be achieved, services will be required to identify additional savings, subject to approval where necessary, to ensure budgets are not overspent. Any unachieved savings will add to the budget gap in future years unless compensatory savings have been identified.

#### **4.0 Budget gap 2020/21 – 2022/23**

- 4.1. The indicative funding gap for 2020/21 to 2022/23 as agreed at the budget setting meeting in March 2019 is detailed in the table below. This shows an indicative gap of £10.257m in 2020/21 rising to £23.472m by 2022/23. This is £0.185m higher than presented in the budget setting paper due to the approved amendment of the 2019/20 budget, reducing the Council Tax increase from 4.79% to 4% and increasing the contribution of Capital Receipts to offset loan charge payments. As this is a one off contribution, this will add to the gap in future years.

4.2. **Table 2: General Services Budget 2020/21-2022/23 Indicative funding gap**

	2020/21	2021/22	2022/23
	£000	£000	£000
Net expenditure	132,157	138,067	143,798
Net Funding	121,900	121,117	120,326
Cumulative indicative Funding Gap	10,257	16,950	23,472
Annual indicative Funding Gap	10,257	6,693	6,522

4.3. The assumptions used in calculating this gap are set out below. As in previous years these assumptions will be refreshed throughout the year as further information becomes available. Low and high scenarios will also be included in future reports to provide an indication of the impact of variations in assumptions.

4.4 The main assumptions included within Table 2 are:

- 3% increase in the level of Council Tax in future years;
- Pay inflation for non teaching staff at 3% for each year as per national agreement;
- The agreed increase in Teachers Pay will fully funded;
- Estimated demand pressures of £3m to cover Contract Inflation and General inflation based on historic trend data on bids and approvals;
- Cash reduction in general fund grant of 2% for future years;
- that the additional £0.834m received for 2019/20 is not baselined for future years, and
- the additional social care funding of £160m in 2019/20 to support additional investment in social care has been baselined.

4.5 The biggest factors which affect the indicative funding and expenditure levels are around grant funding, teachers pay and service demand pressures. The exact level of funding will not be known until after the Scottish Government Settlement has been announced which is usually around December. Until then best estimates are used based on indicative information. The gap also assumes that 2019/20 expenditure is met within budget and all savings are achieved.

4.6. This level of gap leaves the Council in an extremely challenging financial position. Post budget setting, uncommitted reserves were estimated to be above minimum at 3.59%, £4.757m. This means that the Council has little reserves above the minimum level available to fund additional unbudgeted priorities through the year. The use of reserves is therefore not advised to support the budget on an ongoing basis as they are one off sources of funding and this position would not be sustainable.

4.7 In addition, the Health & Social Care Partnership is reporting a deficit position of £2.452m for 2018/19. Partners are currently negotiating a resolution with the

Council offering to provide a one off payment equivalent to voting share of £0.613m. This would be paid from uncommitted reserves if agreed. Reducing reserves to this minimum level would leave the Council with minimal scope to fund new initiatives and in year unforeseen expense.

## 5.0 Budget Savings 2020/21

- 5.1 In setting the 2019/20 budget, Council approved future year savings of £1.113m, with £0.913m approved for 2020/21 as shown in the table below. As these are not sufficient to cover the budget gap in each of the next 3 years, additional savings will be required. As noted above, there are insufficient General Fund Uncommitted reserves available to cover the gap, should the required level of savings not be identified.
- 5.2 The table below shows the residual funding gap after previously approved savings for future years.

**Table 3: Residual funding gap after previously agreed savings for future years**

	2020/21 £'000	2021/22 £'000	2022/23 £'000
Policy	567	150	50
Management Efficiencies	286	60	0
CASH	60	-60	0
<b>Total Approved Savings</b>	<b>913</b>	<b>150</b>	<b>50</b>
<b>Annual Indicative Funding Gap</b>	<b>10,257</b>	<b>6,693</b>	<b>6,522</b>
<b>Residual Indicative Gap</b>	<b>9,344</b>	<b>6,543</b>	<b>6,472</b>

- 5.3 The indicative gap of £10.257m for 2020/21 as noted in table 2 equates to 8.17% of the total approved budget for 2019/20, £125.549m. Applying this to the current budget across each division would equate to savings as shown in the table below. However, as elements of service budgets are ring-fenced for specific initiatives such as Criminal Justice, PPP, PEF, ELCC, or Statutory services, there is reduced scope for budget reduction and the level of savings achievable may not be proportionate to the Divisional budget.

**Table 4: Indicative Level of Savings Required per Division**

	2019/20 Approved Budget £'000	2020/21 8.17% Savings £'000	2020/21 Previously Approved Future Year Savings £'000
<b>People</b>	68,654	5,609	285
<b>Place</b>	18,803	1,536	555
<b>Partnerships &amp; Performance</b>	38,092	3,112	73
<b>Council Total</b>	<b>125,549</b>	<b>10,257</b>	<b>913</b>

## 6.0 Budget Process 2020/21

- 6.1. A Budget debrief session was held with all members on 18<sup>th</sup> April 2019, feedback was also provided by Senior Officers. Areas identified included the need for more robust business cases, alignment of savings and focused consultation. This feedback has been used to inform and develop the process for 2020/21.
- 6.2. For 2020/21, the budget process will be supported by the Change Management Board. The Board is made up of members of the Administration and the two opposition groups along with Senior Officers.
- 6.3. All Policy savings proposal will come forward to this Board who will assess whether it should be taken forward for Business Case development. The board will then scrutinise and approve the business cases which will then be reported to Council. The projects will then be overseen by the Board including the monitoring of benefits realisation and post implementation review.
- 6.4. Consultations will also be carried out during the year on specific proposals as part of the business case development. The consultation will be targeted at affected groups and outputs of the consultation will be used to shape the final proposals. A diagram is provided at Appendix 1 showing the process that will be followed by the Change Management Board.

### Demand Pressures

- 6.5. In calculating the budget gap, Contract and General inflation pressures have been assumed at £3m based on previous trends of bids and approvals. Demand pressure bids will be completed by Services in conjunction with Finance and will be reviewed by the Strategic Leadership Group and the S95 Officer at two points in the year, September and November. Bids that are agreed will be included within the budget gap assumptions.

### Budget Timeline

- 6.6. A draft budget timeline is set out below.
  - **July** - An initial session has been scheduled with the Extended Strategic Leadership Group (ExSLG) on 3rd July. This session will be used to set out the current budget gap and latest assumptions identifying the estimated level of savings required to set a balanced budget. This session will also set out the budget approach for identifying and reporting savings. Following this session the group will then be required to formulate proposals and complete the standard template (as attached in appendix 2).
  - August** - A further sessions for the ExSLG is scheduled for August which will be facilitated by the Transformation Programme Manager. At this meeting the Group will review initial proposals along with the proposals that have been brought forward through the change management board. The review will look at cross service impact to ensure there is no conflict with existing priorities or duplication, alignment with Corporate Priorities and Policies and provide professional challenge as appropriate. The Group will also identify the appropriate Governance route for each of the savings proposals – whether they can be implemented under delegated authority (Management

Efficiencies), whether they need to go through the Change Board (Policy Savings), or reported to Committee and/or Council.

Following this session, the group will be tasked with developing full Business cases in conjunction with relevant Support services: Finance, HR, Legal as required. Business cases should include timescales for scoping, implementation and saving realisation as well as resource requirements and Impact assessments.

- **September** - A follow up session with ExSLG will then be held in September to consider the full business case proposals. The level of savings identified will be compared against the budget gap to identify whether additional proposals are required. Further development of proposals will take place if required.
- **October** – Briefings for Members and Trade Unions will be held providing information on new savings proposals, progress on previously approved savings, and an update on the budget gap. This will also include savings that have come through the change board.
- **November** – meeting with ExSLG to review the current position and remaining budget gap after approved savings.
- **December** – Draft Scottish Budget expected, impact on Budget Gap to be calculated.

Demand Pressures to be reviewed by Section 95 Officer and SLG. Budget gap to be updated with approved bids.

- **January** – Briefings to be held with Members and Trade Unions providing a progress update from ExSLG and the Change Board on Settlement impact, refreshed assumptions, approved savings and demand pressures and resulting budget gap.

A workshop will also be held with Senior Officers and the Administration Group to finalise outstanding items.

- **February** – Full Council meeting to set 2020/21 Budget.

## 7.0 Capital

### 7.1 Capital Budget

The Council's approved its Capital Programme for 2019/20 – 2023/24 at the Council meeting in March 2019. It was noted that the capital programme would be reviewed during 2019/20 to align it with the new divisional strategic plans and to incorporate the requirements of new priorities including City Deal.

The Capital Operations Group (COG) which is made up of officers from Services across the Council will undertake an initial review of the programme including scrutiny of new Bids. Sessions will be arranged with Members to update on progress. A full timetable and workplan will be produced and provided as part of the next Budget Strategy report to Council.

## 7.2 Capital Strategy

In line with the requirements of the Prudential Code, the Council is developing a Capital Strategy that will outline the capital programme over the longer term. The strategy will tie together what the Council is currently doing in to a strategic and coherent plan within a set governance framework that allows transparency and is in line with the corporate vision of collaboration, inclusive growth and innovation.

The strategy will set the direction of where the council wants to go, setting out investment priorities and identifying key strategic inputs. These will be aligned with Corporate Policies including the Corporate Plan and the LOIP, Service Business and Asset Plans and specific initiatives including City Deal, ELCC, and Town Centre Regeneration.

The strategy will include borrowing and investment opportunities available to the Council. Identifying revenue and funding implications to ensure that the programme is affordable, prudent and sustainable. It will also set out priorities for commercial income including investment properties.

Work to develop and produce the Capital Strategy will be carried out through the COG. This will include reviewing the refreshed asset management strategies and service business plans. Working groups will be set up that will focus on key strands of the strategy e.g a review of existing asset stock including leased in buildings and repairs and maintenance costs with a view of ensuring buildings are fit for purpose to meet the transformational change agenda.

On an ongoing basis the group will review bid proposals, monitor spend on projects, encourage cross service working and update the strategy annually. It is expected that this will be an evolving strategy that will develop over time.

As the strategy develops sessions will be set up with members to update on progress and get feedback on proposals.

### 8.0 Sustainability Implications

8.1 The Councils risk in relation to financial sustainability remains high.

## 9.0 Resource Implications

### 9.1. *Financial Details*

9.2. 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

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

## 10.0 Exempt Reports

10.1. Is this report exempt? 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 - Change Management Process

Appendix 2 – Initial Savings Template

## 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)  
Yes  (please list the documents below)

Local Government Finance Circular 2/2019

General Services Revenue and Capital Budget 2019/20



**Author(s)**

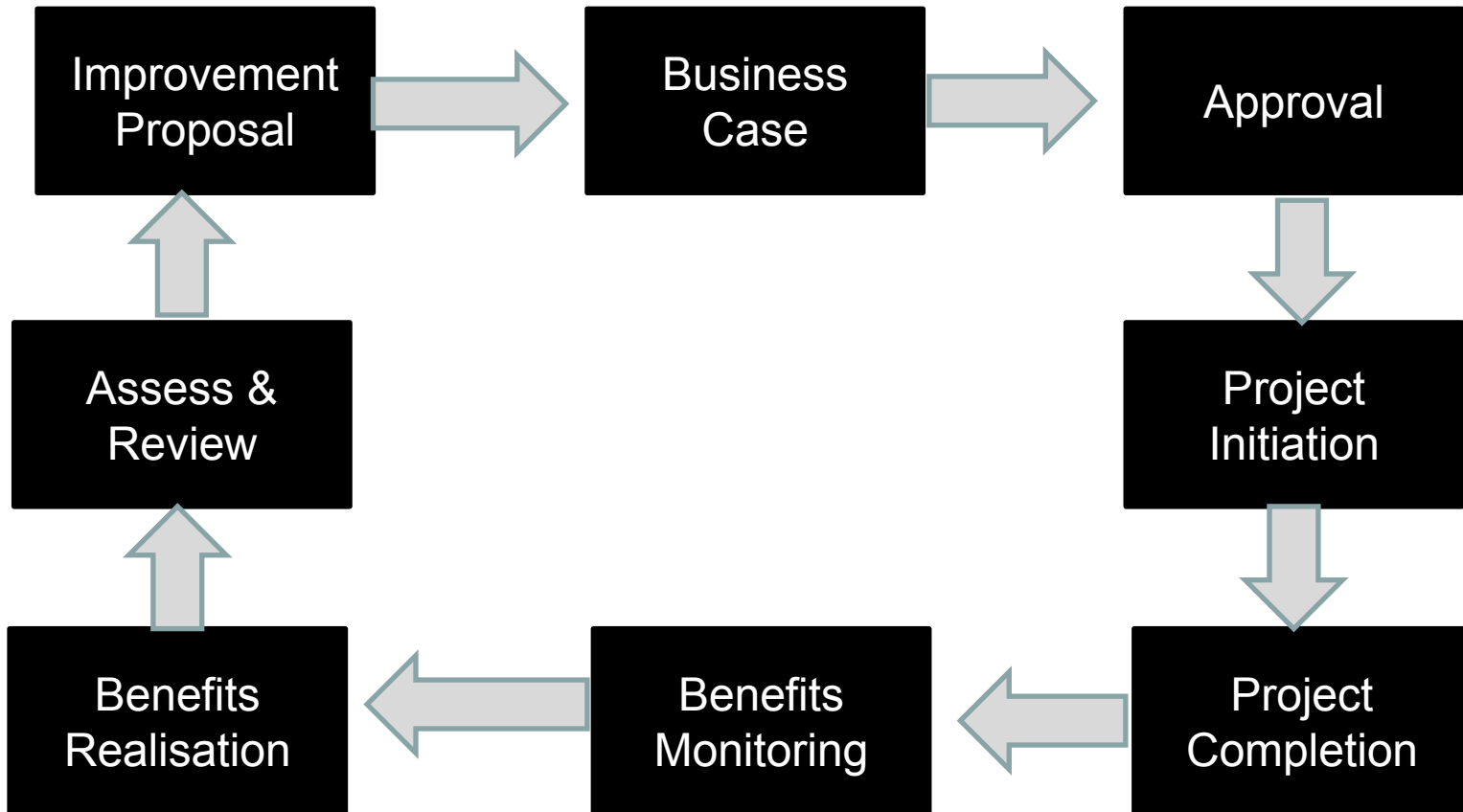
<b>NAME</b>	<b>DESIGNATION</b>	<b>TEL NO / EXTENSION</b>
Lindsay Sim	Chief Finance Officer	2022

**Approved by**

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



# Process





# Transformation Programme - Initiation Proposal



**Clackmannanshire Council**

www.clacks.gov.uk

Comhairle Siorrachd  
Chlach Mhanann

Date	
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Sponsor	
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Project Manager	
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Project Title	
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Work Stream	
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Strategic Priorities	
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Summary of Proposal	
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Expected Outcomes	
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Links to other Projects / Initiatives	
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<b>Business Case Production</b>
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Timescale	
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Resources Required	
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*To be completed by PMO*

Date of Change Programme Portfolio Board

Decision:      *Approved/Rejected/Deferred*

Added to Forward Plan      *Yes/No*

**Guidance Notes**

Date	Enter the date that the proposal has been completed (i.e. approved by the Project Sponsor). Format dd/mm/yyyy
Sponsor	Enter the name of the Project Sponsor
Project Manager	Enter the name of the Project Manager
Project Title	Enter the Project Title - this should be relatively succinct but readers should be able to understand what is being proposed.
Work Stream	Select from the drop down list which of the Transformation work streams the project best falls under.
Strategic Priorities	Select from the drop down list which of the Council's Strategic Priorities the project will help deliver. The form will allow for up to 4 priorities to be selected. If the project will deliver against more than 4 please contact the PMO.
Summary of Proposal	Provide a summary of the proposed project. This should include broad timescales for delivery, what is being proposed (a new service, a change to an existing service, collaboration with others etc.)
Expected Outcomes	Provide a summary of the expected outcomes from delivering the project. These could include references to specific outputs (a new building for example) and/or financial implications (expected savings for example) but should, wherever possible link back to the Council's and LOIP's stated outcomes (See below)
Links to other priorities / initiatives	Where known, if the proposal will, or may, impact on other projects (these could be existing projects, or where it is known that a project is being considered elsewhere) the other projects should be listed here.

**Business Case Production**

Timescale	Enter the date (format: mmm-yy) where it is expected that a Business Case will be presented to Change Project Portfolio Board. Try to ensure that this date is realistic as this will be used to inform the Forward Plan.
Resources Required	This section should include any resources required to produce the Business Case. It is envisaged that this would mainly be the reallocation of existing resources (for example staff time (e.g. Project Manager - 3 days a week for 3 months)). If additional resources are required please contact the PMO to discuss. Please note that at this stage, only resources required for the production of the Business Case should be included. Any resources required for the implementation of the Project will be included in the Business Case.

**Outcomes**

Clackmannanshire will be attractive to businesses and 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