

**CLACKMANNANSHIRE COUNCIL**

---

**Report to Clackmannanshire Council**

---

**Date of Meeting: 19 December 2019**

---

**Subject: Budget Strategy Update**

---

**Report by: Chief Finance Officer**

---

**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 Budget process for 2020/21.

The report sets out:

- progress on delivery of 2019/20 approved savings;
- indicative budget gap and changes in assumptions;
- current levels of Reserves;
- update on the Transformation Fund, and
- progress on Budget Process and timeline.

**2.0 Recommendations**

Council is asked to:

2.1.1 approve the proposed policy saving set out at para 4.3;

2.1.2 note management efficiencies and year 2 savings as set out in Appendices 1 and 2;

2.1.3 note the updated annual and cumulative budget gap;

2.1.4 note scenarios setting out impact of changes in core grant funding and Council Tax;

2.1.5 approve £0.390m from the Transformation Fund to fund resources to take forward the transformation programme (para 6.3);

2.1.6 note that spending restraint remains in place for the remainder of 2019/20, and

2.1.7 otherwise note the contents of the report.

### 3.0 Progress on 2019/20 Approved Savings

- 3.1 At its budget meeting in March 2019, Council approved savings of £4.810m. The table below shows the split of these savings across Directorates and indicates the forecasted achievement of those savings by 31 March 2020.

**Table 1: General Services Revenue Budget 2019/20 distribution of planned savings by directorate and forecasted achievement.**

Directorate	Approved Savings 2019/20 £'000	Achieved/ Likely to be achieved £'000	At risk £'000	Unlikely to be achieved £'000
<b>People</b>	1,626	1,398	18	210
<b>Place</b>	562	408	-	154
<b>Partnership &amp; Performance</b>	2,622	2,107	26	490
<b>Total</b>	<b>4,810</b>	<b>3,913</b>	<b>43</b>	<b>854</b>
		<b>81.3%</b>	<b>0.9%</b>	<b>17.8%</b>

- 3.2 The above table indicates that 81.3% of savings have been or are likely to be achieved, with a further 18.7% at risk or unlikely to be achieved in 2019/20. This is a reduction of 2% since last reported to Council in October. This movement is mainly due to the emerging overspend within residential schools due to changing circumstances therefore the saving of £0.170m is no longer expected to be achieved.
- 3.3 Within Partnership & Performance, £0.363m of the saving for Organisational Redesign is unlikely to be achieved due to the deferment of the implementation of the Corporate redesign within the People directorate. This was noted to Council at its meeting in June 2019.
- 3.4 Managers are working towards achieving the approved level of savings or identifying compensatory savings to ensure a balanced budget.

### 4.0 Budget gap 2020/21 – 2022/23

- 4.1 The indicative funding gap for 2020/21 to 2022/23 was reduced to £9.257m as reported to Council at its meeting in October. This was as a result of the reduction in the assumption for demand pressures from £3m to £2m.
- 4.2 This paper proposes further reductions to the indicative gap as a result of the approval of a Policy saving and the application of Management Efficiency savings along with the adjustment for the 20/21 saving element for those savings approved as part of the 2019/20 budget. A summary of these savings are provided below with further detail in Appendices 1 & 2.

- 4.3 Council is asked to approve a Policy saving of £70k for Roads Contract Unit Commercialisation. This saving is to upscale the operations of the Roads Contract Unit by increasing the staffing compliment, including 2 Modern apprentices, in order to carry out additional works both internal and external to the council. This will allow internal services to use resources to carry out works that may have previously been carried out by external contractors thereby making efficiencies in procurement and potentially reduce costs. This additional compliment will also allow external works to be bid for to generate income for the council. Early approval of this saving will allow staffing to be in place prior to the 1<sup>st</sup> April in order to allow early achievement of the saving.
- 4.4 Management efficiencies have been put forward by services totalling £1.575m. Removal of these efficiencies from the budget therefore reduces the net expenditure and the indicative funding gap by the same amount. Detail of these efficiencies are provided in Appendix 1.
- 4.5 As part of the 2019/20 budget, savings were approved that had a further saving in 2020/21 totalling £0.913m. These savings have been reviewed to ensure they are still financially and operationally viable and £0.609m have been confirmed as achievable (appendix 2). The remaining £0.304m are subject to further review.
- 4.6 Of the £2.254m noted above, £0.727m of these savings have been taken as a cash savings due to uncertainty around demand and legislation in these areas for future years. It is therefore prudent to split the saving into permanent and cash savings so this can be monitored and adjusted to take account of any adverse changes.
- 4.7 The cumulative effect of these changes is shown in the table below.

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

	2020/21	2021/22	2022/23
	£000	£000	£000
Net expenditure	128,903	134,540	139,271
Net Funding	121,900	121,117	120,326
Cumulative indicative Funding Gap	7,003	13,423	18,945
Annual indicative Funding Gap	7,003	6,420	5,522

### Grant Funding

- 4.9 One of the biggest factors which affect the indicative funding gap is the assumption on the level of core grant funding. Due to the election, the draft Scottish Budget due to be received on 12<sup>th</sup> December has been postponed and is now expected in the new year.

- 4.10 The current assumption included within the indicative funding gap is a reduction in core grant funding of 2% for 2020/21 and future years. For every 1% change in the core grant this would equate to a movement of approximately £0.750m. The impact of a change in funding is set out below:

**Table 3: Impact on gap of a change in grant funding**

	<b>Reduction of 2% (already assumed) £'000</b>	<b>Reduction of 1% £'000</b>	<b>Flat Cash £'000</b>
Adjustment to funding	-	750	1,500
Revised funding gap 2020/21	7,003	5,670	4,022

- 4.11 The exact level of funding will not be known until after the draft Scottish Budget has been announced. Following this, officers will work through to update the assumptions included in the indicative gap.

### **Council Tax**

The assumption included within the indicative funding gap is an increase in Council tax of 3%. In previous years, the draft Scottish Budget set out a cap on the increase on council tax increases of 3% which was lifted through settlement negotiations in 2019/20 to 4.79%. In setting its 2019/20 budget, Council agreed an increase of 4%. At present there is no indication if there will be a cap put on Council tax increases or what that may be. On this basis a number of scenarios are set out below.

For every 1% increase in council tax, this generates revenue of approximately £230k. Scenarios of Council tax increases of 2%, 3% & 4% and the impact on the indicative funding gap are set out below on all three of the scenarios above in relation to grant funding..

**Table 4: Impact on gap of a change in council tax increase on 3 grant funding scenarios**

#### **Increase of 3% (already assumed) on 2020/21 Indicative funding gap**

	<b>Reduction of 2% (already assumed) £'000</b>	<b>Reduction of 1% £'000</b>	<b>Flat Cash £'000</b>
Adjustment to funding	-	-	-
Revised funding gap 2020/21	7,003	5,670	4,022

### Increase of 2% on 2020/21 Indicative funding gap

	Reduction of 2% (already assumed) £'000	Reduction of 1% £'000	Flat Cash £'000
Adjustment to funding - decrease	230	230	230
Revised funding gap 2020/21	7,233	5,900	4,252

### Increase of 4% on 2020/21 Indicative funding gap

	Reduction of 2% (already assumed) £'000	Reduction of 1% £'000	Flat Cash £'000
Adjustment to funding - increase	(230)	(230)	(230)
Revised funding gap 2020/21	6,773	5,440	3,792

## 5.0 Council Reserves

5.1 Following the audit of the 2018/19 Annual Accounts, the Council held the following reserves as at 1<sup>st</sup> April 2019:

	£m	£m
<b>General Reserves</b>		<b>8.6</b>
- Committed	3.8	
- Uncommitted	4.8	
<b>Capital Receipts</b>		<b>3.6</b>
<b>Transformation Fund</b>		<b>0.5</b>

- 5.2 At 1<sup>st</sup> April 2019, the Council held general reserves of £8.6m. £3.8m of those are committed to fund specific items of expenditure including on areas that are ring-fenced. The Councils policy is to retain uncommitted reserves at a level of 3% of net budgeted expenditure. For 2019/20 this equates to £3.8m therefore uncommitted general reserves are £1m above this minimum level. This is before the consideration of any in year outturn position and means that the Council has little reserves above the minimum level available to fund additional unbudgeted priorities through the year.
- 5.3 Capital Receipts can be used for Capital Expenditure and permitted elements of revenue expenditure including voluntary severance and loans fund repayments. Recent flexibility by the Scottish Government has also allowed Capital Receipts to be used to form a Transformation Fund. The Council created a Transformation Fund of £500k as part of the 2019/20 Budget setting process. It is intended that this fund will be used to support the Councils Transformation Plan and commitments against this fund will be brought to Council for approval.
- 5.4 The use of reserves to support the budget is not recommended as this position would not be sustainable over the longer term. Reserves are one-off sources of funding and would add to the gap in future years.

## **6.0 Transformation Fund**

- 6.1 As noted above, in setting its budget for 2019/20, Council agreed to the creation of a Transformation fund to support the transformation programme. The conditions set out by the Scottish Government require the Council to approve the use of the fund. On this basis, Council is asked to approve the following amounts from the fund.
- 6.2 The Transformation Programme is being developed to set out the initial proposed projects that have been identified to deliver the required efficiencies across the next 3-5 years. The projects being will be delivered as a rolling programme to spread the workload over the next few years.
- 6.3 It is recognised that it may be extremely difficult to deliver the amount of change required within existing resources. On this basis a central Programme Management Office has been established, led by the Transformation Programme Manager, who was recruited as part of a joint exercise with the Improvement Service, initially on a 12 month contract from April 2019. In order to deliver the Transformation Programme, it is proposed to: -
- a) Allocate £320k from the fund to support a flexible resource fund (equivalent to the cost of three Grade 9, Project Managers for 2 years) to work closely with each of the Strategic Directors as required to progress the transformation programme. This support will be varied, and include undertaking detailed analysis to inform robust Business Cases, the production of various Project Documentation, including Project Scoping Documents and Business Cases, and, where appropriate, undertake the role of Project Manager, delivering specific projects. Spend on this fund will be reported back to Council through these regular budget strategy reports.

- b) Allocate £70k to extend the Transformation Programme Manager contract for a further year, to March 2021. This is to ensure that the Programme has continuity over the initial stages however; the future of this role would need to be considered nearer the end of this period.
- 6.4 It is proposed that these are funded from the Transformation Fund, and Council are asked to approve the overall spend of £390k. A total of £500k was initially allocated to the Transformation Fund, of which £25k has previously been allocated. This would leave £85k remaining in the fund.

### **Spending Restraint**

- 6.5 The indicative funding gap set out above assumes that 2019/20 expenditure is met within budget and all savings are achieved. In preparing the August financial outturn, early indications are that there are several emerging pressures that may cause the Council to overspend on its approved budget.
- 6.6 The position reported to Audit Committee in September based on the June financial outturn was a projected overspend of £0.038m. This was exclusive of the £1.7m projected overspend on the Clackmannanshire locality of the Health and Social Care Partnership.
- 6.7 Due to this forecasted overspend position and the level of reserves as noted above, a spending restraint was put in place for the remainder of the financial year. This means that only essential spend should be undertaken and services should work to reduce costs as much as possible.
- 6.8 The position reported to Audit Committee in December noted an increase in the projected overspend to £0.699m excluding Health & Social Care Partnership. Due to this increase the spending restraint remains in place and will be monitored closely and reviewed as further forecast information becomes available.

### **7.0 Health and Social Care Partnership**

- 7.1 At the October meeting Council approved a request to fund 2 specific reviews within Health and Social Care. On review, the IJB Board has since agreed to meet this cost from a Transformation Fund created from reserves. There is therefore no increase required to the Councils budgeted contribution to the IJB.
- 7.2 Work continues to finalise the medium term recovery plan and develop a new operating structure within the Partnership.

### **8.0 Budget Process 2020/21**

- 8.1 In line with the timetable set out in this report to Council in June, budget sessions have continued to be held with officers, elected members and trade unions.
- 8.2 Briefings were held throughout October and November with elected members and Trade Unions. These briefings provided an update on the indicative funding gap, savings proposals, demand pressures and the draft transformation plan
- 8.3 A session was held in November with the Administration group that set out the draft budget and considered options for setting the budget. A further session was held in December to provide an update on proposals. A workshop was also held on the Capital budget in December to set out a draft Capital programme.

- 8.4 The Senior Leadership Group met in November to review the demand pressures submitted by services. A follow up session is scheduled for the end of December./start of January to finalise these.
- 8.5 A public budget engagement process commenced on the Council's CitizenSpace platform on 16 December. Supported with a media campaign, this will run through until 24 January 2020. Equalities Impact and Fairer Scotland Duty Impact Assessments have been prepared for a number of proposals, and engagement will be facilitated with appropriate stakeholders as required. Budget engagement packs will be provided to all groups in advance of budget setting.
- 8.6 The future timeline for the budget process is set out below:

**January**

The Senior Leadership Group will be conducting a series of staff roadshows early in the New Year to enable staff feedback on the budget and transformation proposals.

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 and proposed 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.

Public Engagement process closes and feedback to be reviewed.

**February**

Full Council meeting to set 2020/21 Budget.

**9 Sustainability Implications**

- 9.1 The Councils risk in relation to financial sustainability remains high.

**10 Resource Implications**

*10.2 Financial Details*

- 10.3 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

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

**11 Exempt Reports**

- 11.2 Is this report exempt? No



## 12.0 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)

## 13.0 Equalities Impact

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

## 14.0 Legality

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

## 15.0 Appendices

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

Appendix 1 - Management Efficiencies & Policy Savings

Appendix 2 - 2019/20 Approved Savings Year 2

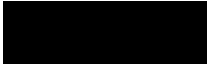
## 16.0 Background Papers

- 16.1 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)
- Council Financial Performance 2019/20 – August Outturn presented to Audit Committee on 5<sup>th</sup> December 2019;
  - Local Government Finance Circular 2/2019, and
  - 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	

**MANAGEMENT EFFICIENCIES**
**APPENDIX 1**

Directorate	Description	Amount £ 20/21
Partnership & Performance	Move to rolling Asset Valuation	66,000
Partnership & Performance	Rent Rebates Rent Allowances - reduce current budget provision in conjunction with Homeless <b>CASH</b>	266,000
Partnership & Performance	Rent Rebates Rent Allowances - reduce current budget provision in conjunction with Homeless	250,000
Partnership & Performance	Reduce Corporate Training Budget	23,800
Partnership & Performance	Supplies and Services budget reduction	4,125
Partnership & Performance	Reduction in Admin Support - Vacancy	27,159
Partnership & Performance	Supplies and Services budget reduction	498
Partnership & Performance	Reduction in Postages Budget	5,000
Partnership & Performance	Credit Card Rebate	10,000
Partnership & Performance	Budget Realignment	10,000
Partnership & Performance	Newspaper Copyright	1,500
Partnership & Performance	Treasury Contract price reduction	3,000
People	PPP Rebate	75,000
Place	Increase in Building Standards Income	20,000
Place	Increase in Building Standards Income - CASH	20,000
Place	Glentanna Mill Rates	21,355
Place	Janitorial costs of former St. Mungo's Primary School	15,473
Place	Homeless - reduce current budget provision CASH	300,000
Place	Homeless - reduce current budget provision	372,000
Place	Align overtime budget in the janitorial property overtime budget with actual	8,000
Place	Grounds Maintenance Income	50,000
Place	Grounds Maintenance Income - CASH	26,000
	<b>TOTAL</b>	<b>1,574,910</b>

**POLICY SAVINGS**

Directorate	Description	Amount £ 20/21
Place	Roads Contract Unit Commercialisation	70,000
	<b>TOTAL</b>	<b>70,000</b>

<b>Directorate</b>	<b>Description</b>	<b>2020/21 £</b>
P&P	Income generation through new Funding Officer post	50,000
Place	D&E Budget Alignment - Cash Saving	60,399
Place	Leave partnership with Stirling & Falkirk Councils for provision of stray dog kennelling facilities and reprovide	14,000
Place	Garden Waste: Introducing a permit scheme for collection of household garden waste.	108,333
Place	Service charge for cost sharing agreement for part of Kinbraigs	50,000
People	Investment in Internal Foster Care Service	60,000
People	Primary school class configuration	153,750
People	Management time reduction (Snr) Early Years	57,520
People	PPP Rebate - Cash Saving	55,000
	<b>TOTAL</b>	<b>609,002</b>