
Report to Clackmannanshire Council

Date of Meeting: 27 February 2025

Subject: Budget Context and Outlook

Report by: Section 95 Officer

Purpose

- 1.1. This paper has been prepared by the Section 95 Officer in consultation with the Chief Executive and Monitoring Officer. It aims to provide information on the Budget context and outlook for the Council as it prepares to agree its General Services Revenue and Capital Budgets for 2025/26.
- 1.2. The paper has been prepared in support of the Council's proposed General Service Revenue and Capital Budget 2025/26 and aims to allow elected members to consider broad issues of financial resilience and sustainability ahead of taking its decisions.

2.0 Recommendations

It is recommended that Council notes the:

- 2.1. Background and context to the Council's socio-economic and systemic funding challenges, exacerbated by a largely population-based mechanism for distributing the Scottish Government Grant Income received (section 3)
- 2.2. Council's track record of delivering budget savings; collaboration, leveraging external resource and innovative transformation (section 4)
- 2.3. Financial outlook ahead of setting the Council's Budget and the need to maximise the value of permanent reductions in expenditure and increases in income wherever possible to deliver medium to longer term financial sustainability (paragraph 4.14 and section 4)
- 2.4. Financial outlook, residual risks and uncertainties should the 2025/26 General Services Revenue and Capital Budgets, proposed later in this Council agenda, be approved (paragraph 4.17 and section 4).

It is recommended that Council agrees to:

- 2.5. Prioritise, support and invest in the key activities being taken forward to mitigate the pressures (section 5) and to deliver service and financial sustainability
- 2.6. Consolidate and implement its Medium Term Financial Strategy (MTFS) and a Financial resilience Framework which will be regularly monitored and reported to Council through the regular Budget Strategy Update reports (paragraphs 5.30-5.33)
- 2.7. Identify any further potential options it would like developed to mitigate current and future service and financial sustainability challenges in addition to the current activities summarised in section 5 of this report (paragraph 5.1).

3.0 Background and Context

- 3.1 Clackmannanshire is Scotland's smallest mainland authority when based on population (51,800). The County is an area of outstanding natural beauty whilst simultaneously experiencing a variety of significant, well-rehearsed and unique challenges.
- 3.2 Clackmannanshire experiences significant levels of demand, and complexity of need, for its services which trend beyond even the area's Upper Quartile deprivation levels. This means that on many demand-led indicators, such as domestic violence, levels of trauma, additional support needs and child protection referrals, the area's performance ranks amongst the highest in Scotland. This situation is exacerbated by funding levels which do not meet the costs of providing such vital services. For instance, we receive £13k grant re Violence Against Women and Girls (VAWG) but spend £174k on commissioned services plus further funding for the core team/services, additional costs which have required reprioritisation of funds from other areas. Another example is the Social Welfare Fund to which the Council has had to add additional funding in previous years and £114k during 2023/24. A one off top up was received for 2024/25 however, there is no additional funding for 2025/26.
- 3.3 Clackmannanshire also experiences significant economic challenges, for instance high levels of worklessness, low job density (approximately two people for every job) and fewer and lower paid opportunities for employment, which is exacerbated by poor mobility/connectivity issues, and all of which contribute to significant poverty and inequality in the County.
- 3.4 Clackmannanshire has staffing of 2695 FTE (including externally funded posts). Both political and managerial remuneration levels are in the lowest bandings in Scotland, making recruitment and retention a significant challenge given we are in direct competition for scarce resources with larger public sector bodies in the Forth Valley/Central Belt. Many staff have left the Council for better remunerated roles with significantly narrower spans of control and

greater supporting resources than Clackmannanshire can offer. Remaining staff have to manage the same legislative and policy requirements as other council areas but without the resources and support. Services have been redesigned to improve efficiency and reduce duplication, but this means that specialist roles have been diluted. Despite all of this, Clackmannanshire has been driving a significant transformation agenda, leading on innovation both locally and nationally.

- 3.5 This principle also extends to administrative systems where the Council has a proportionately higher level of demand relative to both scale and deprivation, for instance Freedom of Information requests and SPSO complaints. Capacity benchmarking shows the Council to be the lowest in Scotland for almost the full range of support services (legal, HR, Communications), following significant budget reductions over a number of years. This same principle also applies across frontline service delivery such as in Planning and staffing levels in Education and Social work are the lowest in Scotland. As a consequence, there is a dual pressure of increased demand and reduced/low resources to respond, potentially adversely impacting service quality and customer experience.
- 3.6 The Council has delivered an average of 82% of planned savings and protected frontline service delivery for our most vulnerable citizens. The Council is experiencing unprecedented financial pressures which are more acute for a small Council:
- The funding distribution mechanism, which is largely population-driven, in many respects results in a settlement for the Council which could be compared with that of the island councils without any of the potential levers.
 - As a small Council, within an area of significant deprivation and need, there are not significant opportunities to generate additional income, for instance 1% of council tax generates circa £255K; the Council does not have revenue streams such as oil revenue, and proposed local levies such as the visitor or parking levies would not generate significant income.
 - Additionally there is no material acknowledgement of the issues of scale and context in the current distribution mechanism in terms of the delivery of services to our residents: there is no equivalent to the islands allowance; needs-based indicators within the distribution do not reflect the variable contextual challenges; Clackmannanshire receives no benefit from the floor mechanism and the distribution does not take into account any minimum level of resourcing to deliver public services to a prescribed performance standard.
- 3.7 This snapshot of the Council's context is vital in understanding the financial challenges facing the Council area. The remainder of this paper sets out the service and financial sustainability challenge the Council area is facing

alongside some of the priority work that is being taken forward to mitigate these challenges.

4.0 Financial Context and Outlook

4.1 The Council's current (2024/25) net revenue budget is £161m and the Gross Capital Budget is £20m (SG Capital grant £4.2m). The HRA Budget is £20.4m.

4.2 Since 2010, the Council has agreed £70.5m of savings. When considered in the context of the current operating budget of £161m, this is a significant reduction and means inevitably that there are few, if any, non-statutory efficiencies and policy areas which Council has not already considered or agreed.

4.3 Inevitably the Council has had to take a number of significant and difficult decisions since 2010, including but not exhaustively:

- Several Community Asset transfers and community lease arrangements in respect of community assets such as a range of village halls across the County to promote community empowerment and unlock the potential of new funding streams whilst delivering cost reductions
- The relocation of a primary school within an Academy following a five-year temporary relocation
- Significant reductions made in a number of valued service areas, including refuse collection, Community Learning and Development, library and leisure provision and grounds maintenance, many of which place strains on other services
- Closure of two swimming pools
- Significant reductions in senior managerial posts to protect frontline service delivery whilst delivering savings
- The Council was amongst the first to renegotiate the working week with unions in 2014, reducing the working week to 35 hours and delivering a saving of just over £1m.

4.4 The Council has a long history of partnership working and collaboration. Clackmannanshire was in a significant Shared Service arrangement with Stirling Council (Stirling Council Education lead; Clackmannanshire Council Social work lead). These arrangements prevailed for several years before they ended. In addition, Clackmannanshire led on the Regional Improvement Collaborative with Falkirk, Stirling and West Lothian Councils for four years until funding ended.

4.5 Currently there are a range of partnership arrangements in place, including:

- Health and Social Care Partnership- NHS Forth Valley and Stirling Council
- Forth Valley Public Protection
- School Transport- led by Stirling Council
- Out of Hours Social Work Duty - led by Stirling Council
- Animal Welfare - led by Stirling Council
- Bridges and Lighting Inspections / Repairs - led by Falkirk Council
- Waste Transfer / Disposal - led by Stirling Council
- Contaminated Land - Falkirk Council
- Trading Standards - Stirling Council
- Archaeology Specialist advice for planning applications - Stirling Council
- Internal Audit – Falkirk Council
- Under the Scottish Secure Tenants (Right to Repair) Regulations 2002, Stirling Council is our named secondary housing repairs contractor, and we are the named secondary repairs contractor for their tenants
- Dog Shelter (Bandeath) - led by Stirling Council

4.6 In recent years, as the options for non-statutory efficiencies and policy proposals has been diminishing, the Council has consciously deployed one off cash savings and reserves to balance its budget to minimise the need to permanently/adversely impact on the delivery of statutory services. In setting the current year's Budget (2024/25), the Council utilised £6.1m of one-off service concession. The use of one-off reserves to deliver financial balance is clearly not a sustainable strategy for the Council.

4.7 Delivering sustainability is not only delivered by reducing expenditure but also by maximising/ increasing income. The Council has been developing its Investment Strategy and has successfully levered financial and non-financial resources in respect of a range of priority projects and Transformation activities including from Sports Scotland, the Vardy Foundation, the Hunter Foundation and Scottish Government. This additional resource has been critical in ensuring that priority work has been appropriately supported and resourced. This is an activity which will continue to receive priority as part of the Council's Medium Term Financial Strategy and Investment Strategy (see section 5). There has also been mapping of all the community assets that exist across the area with the aim of trying to efficiently align more resource to improving outcomes for local communities.

4.8 In recent years, significant budget savings have been made across Children's Services as part of the establishment of an integrated People Directorate. The development of an Early Help Team within the Directorate is working to prevent children and families from reaching crisis and resulting in an ongoing reduction in high-cost care placements. Whole family support and closer working across all services and with other Directorates has resulted in fewer

out of authority education placements, both against a background of increasing complexity and demand.

- 4.9 There is an acute awareness of the need to secure service and financial sustainability which is linked directly to the agreement of the Council's Be the Future Transformation Programme in 2018. The Council's Be the Future programme has significant cross-party support and has been a unifying ambition for officers and members. It has at its heart several enablers to create the conditions for change - this includes obvious enablers such as digital and data transformation as well as those to support culture change such as our Values Based Leadership work with SG, Hunter Foundation and Columba 1400 as part of our work on the Family Wellbeing Partnership.
- 4.10 There are already demonstrable examples of progress as a consequence of our transformation work - bucking the national trend re the poverty-related attainment gap; independent evaluation of STRIVE suggests savings across partners of £66m as a consequence of preventing people from requiring statutory intervention; increased automation and digital access to Council services.
- 4.11 Based on the 2023/24 Draft Financial statements, the Council has Uncommitted reserves of £3.8m (£0.4m above the minimum 2% of net expenditure level) and Committed reserves of £27.1m (including reserves with restricted use).
- 4.12 In the current financial year, there remain a significant range of in-year pressures including pay and significant projected overspends in HSCP (£12.5m), necessitating recovery plans including recruitment to critical posts only and spending restraint during the year. These in-year pressures are expected to remain significant factors as we move into 2025/26.
- 4.13 Looking to 2025/26, there is a significantly challenging position over next 4 years with a further forecast £30m savings to find (Table 1).

Table 1 - Indicative Funding Gap 2025/26 to 2028/29 (pre budget setting)

	2025/26	2026/27	2027/28	2028/29
	£000	£000	£000	£000
Net Expenditure	167,709	173,157	178,258	183,786
Net Funding	(154,697)	(154,317)	(153,994)	(154,124)
Cumulative indicative Funding Gap	13,012	18,840	24,264	29,662

Annual indicative Funding Gap	13,012	5,828	5,424	5,398
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- 4.14 Separately on this Council agenda, a balanced budget for 2025/26 is also proposed. It is critical in considering the budget that the underlying deficit between expenditure and income is addressed by agreeing permanent reductions in expenditure, increasing income, minimising cash savings and minimising reliance on the use of reserves.
- 4.15 It is also important that the Council provides investment in those priority activities which aim to deliver service and financial sustainability and avoid the potential for short-termism in decision-making. The activities summarised in section 5 of this report reflect some of these necessary investment requirements. Given the scale of the current and future challenges this paper articulates, work will continue to identify further potential mitigations/ options which may in turn require investment.
- 4.16 The Council has a track record of taking difficult decisions when necessary and this continues to be required when considering the Budget for 2025/26 and for subsequent years.
- 4.17 Subject to the agreement of the proposed General Services Revenue and Capital Budget for 2025/26, the following key impacts and risks are also highlighted:
- Pay award for 2025/26 – the pay award for 2025/26 has not yet been agreed and discussions are ongoing with Trade Unions and COLSA and Council Leaders. The budget assumption for future years includes an assumed 3% increase based on the Scottish Governments Public Sector Pay award of 9% over 3 years. Anything above the assumed 3% would need to be funded from additional funds and would add to the budget gap in future years if permanent funding is not received.
 - HSCP projected overspend for 2024/25 – as noted above, the HSCP are projecting a £12.4m overspend for 2024/25 and there is an expectation that this overspend would be met by Partners. Any additional contribution whether in the form of a one-off payment or loan would need to be met from reserves. Given the broader challenges outlined in this report, affordability is a material consideration.
 - HSCP budget for 2025/26 – based on the current projected overspend there are pressures that will continue into 2025/26 that require significant savings and /or reduction in services to mitigate. Limited additional funds have been included within the 2025/26 local government settlement however, these are for specific inflationary

increases. There is a risk that the IJB may not be able to set a balanced budget for 2025/26.

- Increase in Employers National Insurance (NI) – it is estimated that this increase will add £1.9m to the Councils paybill. The Scottish Government have indicated that they will provide funding to meet 60% of this cost however, this leaves a pressure of c£800k for the council to fund on a permanent basis. There is also a risk that this cost pressure will be passed on by providers of commissioned services and also suppliers and contractors of goods and services. The quantum of this amount is currently unknown but would also need to be met from Council funds.
- Increase in demand for services – demand for frontline services including Child Care and specialist areas within Education and Learning have also been increasing. While some additional funds have been provided within the 2025/26 settlement, Clackmannanshire's high level of deprivation and need mentioned above means there is a risk that this demand will continue to exceed the funding provided.
- Reserves Balances - with the use of reserves to support the budget in previous years, and the anticipated cost pressures mentioned above it is essential that Council continues to prudently manage and direct reserve balances to ensure that these support activity, including transformation, to maintain financial sustainability and protect services.
- Future year budget gap – the indicative gap for 2026/27 after setting the proposed budget for 2025/26 indicates a funding shortfall of £7.4m rising to £19.1m by 2029/30. There are a number of assumptions within these indicative figures including assumption on pay inflation 3%, assumptions on interest rates for borrowing, a Council tax increase of 10% and flat cash grant funding. Any variation in these assumptions can have a significant impact on the budget gap. Further information will be set out in the MTFS and Resilience Framework noted in section 5.

4.18 These risks and uncertainties will be reviewed on an ongoing basis and any significant changes reported to Council through the regular budget strategy updates throughout the year.

5.0 Service and Financial Sustainability measures

5.1 This section of the report summarises the key activities currently being taken forward to mitigate the pressures and service and financial sustainability challenges narrated in sections 3 and 4 of this report. Given the scale of the challenges, risks and uncertainties presented, other potential mitigations/options will need to be developed. Council is requested to identify any further options it wishes explored/developed at this stage. Each aspect of

the current activities reflects a significant body of work, however, in summary, these are:

- Prioritising the political and managerial awareness raising and lobby with regards the systemic challenges facing the Council with Scottish Government, COSLA and key stakeholders such as Deloitte, the Council's External Auditors, Audit Scotland and the Accounts Commission
- Be the Future Target Operating Model and Regional Collaborative working options appraisal
- Be the Future Transformation Programme, including development of the Voice-led Transformation Space
- Income maximisation, including development of the Council's Investment Strategy and Maximisation of Grant Income
- The Council's Medium Term Financial Strategy and establishment of the Financial Resilience Framework
- Continued focus on sound financial governance and maximising management efficiency in operational delivery.

Lobby and awareness raising activity

- 5.2 The Council has for many years sought to engage both politically and managerially to raise awareness of, and lobby for, improvements in respect of the challenges faced by the Council. Over the last 12-18 months, this focus has been significantly sharpened. Appendices A and B provide some examples of recent correspondence. As a consequence, the Council has been in significantly more detailed pre-Budget engagement with Scottish Government than in previous years, and we are advised that this has been a helpful contribution in securing an enhanced settlement for Local Government in the recent Scottish Budget.
- 5.3 Having highlighted the improved settlement position for the sector in 2025/26, it should be noted that in reaching this position, the underlying challenges of demand, complexity of demand, lack of financial flexibilities available to small councils and funding distribution, referred to as material in the Clackmannanshire context, remain unchanged.
- 5.4 There has also been open dialogue and engagement with Deloitte, the Council's External Auditor, The Controller of Audit (Audit Scotland), the Accounts Commission and with CoSLA (politically and managerially). A key issue being raised is that should a Council in Scotland find itself in financial difficulty, there is currently no 'early warning/ flagging' system or agreed framework for seeking support. These engagements have also sought to provide information and assurance to our stakeholders about the robust actions being taken forward whilst simultaneously highlighting what can/cannot be influenced at the level of an individual council.
- 5.5 It is extremely important that this external stakeholder dialogue continues with a particular emphasis on promoting better understanding of the lack of 'levers' available to small councils who do not receive the benefit of economies of scale in a distribution framework which remains largely population driven.

- 5.6 All stakeholders have committed to sustaining the open dialogue in place.

Be the Future Target Operating Model

- 5.7 The Council's agreed Be the Future Target Operating Model promotes: People First; Mixed Economy of Service Delivery Models. It explicitly places collaboration and the potential for alternative models of service delivery for the future at its heart. The BtF TOM was agreed by Council in October 2022.
- 5.8 At service level, work continues to review service level TOMs such as for Business support, communications and engagement and support services with further work due to report during the 2025/26 financial year.
- 5.9 As we gain traction with our wider transformation programme, especially our work on the Family Wellbeing Partnership, Asset Management, Digital and Data transformation and Investment Strategy approaches, it is clear that our traditional operating structures can sometimes limit flexibility, agility and responsiveness. On some occasions this has even become a barrier where different portfolio priorities are not consistent. This experience is bringing into focus the need to consider a more holistic review of how we design services to meet people's needs, which may in time impact operational structures. This work is being developed in parallel with the BtF Transformation Programme activities.
- 5.10 In line with the Council's BtF TOM and building on the considerable track record of effective collaboration, our planned work is also prioritising work which considers options for transformation which can be achieved by working more with partners.
- 5.11 To take this forward, the Council is now in discussion with Falkirk and Stirling Councils, to consider the potential for a joint project which will help each Council to identify opportunities for future transformation. At this stage we are discussing a scope for discovery phase work.
- 5.12 The aim would be to provide each of the partner councils with a suite of options and opportunities for the way forward. These must be focused on delivering future efficiencies and savings to support the Council's financial strategy, as well as considering service sustainability. The work must also link to the Council's Target Operating Model and inform the next phase of the Council's transformation programme.
- 5.13 Given the transformational aims of this work, once agreed, the discovery stage of this work would be funded from the Council's Transformation Fund and has already been consulted on with the Be the Future Board and Group Leaders.
- 5.14 It is also worth highlighting that Solace and the Improvement Service are also currently undertaking work to support change across the whole of local government in Scotland. The Council is involved in this work, with the Chief Executive being the Project Sponsor for the Digital

To Be State workstream. This work also has significant potential to deliver benefits locally. The emerging Forth Valley work would also seek to complement this.

- 5.15 Members will be updated on any viable options which flow from this or any other work the Council is undertaking to develop the next phase of its transformation programme. It is anticipated that any such work is likely to be significant and may not, if options are identified, provide efficiencies and savings until at least 2026/27 or beyond.

Be the Future Transformation Programme

- 5.16 The Council's Be the Future Transformation Programme has provided the framework for shaping Council priorities, investment, and delivery since 2018. It focuses on three key themes:

- Sustainable Inclusive Growth
- Empowering Families and Communities
- Health and Wellbeing

- 5.17 At the heart of the approach is reaching sustainable and positive outcomes for more people, for less cost where possible whilst ensuring that we are tackling poverty and inequality at its source, improving access and outcomes. Our work is delivering significant impact and interest for the sector more widely in respect of our work to support a wellbeing economy and demonstrating a more streamlined approach to outcomes-based funding and reporting through the Family Wellbeing Partnership.

- 5.18 This represents a long-term investment and acknowledges that prevention and early intervention approaches take time to fully deliver benefits, though as set out in paragraph 4.10, we are already seeing benefits from this investment in these transformed approaches.

- 5.19 The Council has streamlined its prioritisation to focus on the 'Top 3' transformation activities in respect of Digital and Data Transformation, Workforce Planning and Asset Management. Alongside this specific work is being taken forward to design, develop and deliver services in partnership with our communities. The detailed work is reflected in the broader Programme and is regularly reported to the Be the Future Board and Council.

- 5.20 A specific and leading investment in this area in 2025/26 is the development of Clackmannanshire's Transformation Space. The initiative proposes a four-part collaboration of community, public, private and third sectors with a shared focus on preventative solutions and doing more with a reducing resource.

- 5.21 The Transformation Space has 5 strategic aims:
- Reduce silos and deliver whole person responses
 - Deliver voice-led transformation

- Demonstrate agile and impactful flow of funds
- Build Community Wealth and deliver a Wellbeing Economy
- Deliver a single reporting Framework with relevance to the Community.

More details on this proposal will be provided to the Be the Future Board and Council, following budget setting for the 2025/26 financial year.

Income Maximisation

5.22 As previously stated, the maximisation of grant/ income is as important as minimising expenditure whilst delivering improved outcomes. Two key areas are being prioritised in this regard in the immediate future:

- Development of the Investment Strategy and associated officer capacity
- A focus on maximising SG Grant income to ensure full benefit is obtained from the needs-based indicator driven elements of the Distribution as well as the population driven elements

5.23 Clackmannanshire's Investment Strategy was approved in March 2023. There have been some delays in establishing the appropriate resources to further develop this work. However, there has been recent progress with recruitment arrangements now progressing.

5.24 Irrespective of the resource challenge, progress has been made to review and update the Investment Strategy in the intervening period. This was a significant review activity and provides the opportunity to develop the Investment Strategy approach in way which is more consistent with the Council's broader transformation ambitions.

5.25 The Investment Strategy draft Strategic Outcomes are as follows:

- The Investment Strategy is for Clackmannanshire and not only the Council
- It provides a strategic approach/ framework for how we pursue/ prioritise external capital and revenue investment opportunities for Clackmannanshire
- Additional public and private sector investment is leveraged
- Co-design and development of successful proposals with communities
- Targeted and effective collaborative approach to the pursuit of grants.

5.26 This work will be further developed during 2025/26 and reported to the Be the Future Board and Council.

5.27 It is important that Council is assured that SG grant income is maximised as far as possible. To facilitate this, the Chief Executive has requested that the Section 95 Officer undertakes a review of the

Council's arrangements for completing and submitting its Local Finance Returns (LFRs) to ensure we are accurately maximising access to the funding available.

- 5.28 LFRs are a series of detailed returns that collect final, audited expenditure figures for all local authorities including councils, on an annual basis. The figures collected in the LFRs are published as part of the Scottish Local Government Finance Statistics publication. Once published, the data is used for a wide range of purposes, including in assessment of Grant Aided Expenditure (GAE). It is, therefore, important that returns submitted accurately reflect demand and spend on services.
- 5.29 Once we have completed our internal review, it is intended to engage with practitioner leads within Scottish Government to review any findings/ impacts.

Medium Term Financial Strategy

- 5.30 Following the Best Value report received in September 2024, the Council's Improvement Plan prioritised the consolidation of its Medium Term Financial Strategy into a single document. Work to take this activity forward has been scheduled following the Council's 2025/26 Budget setting process. Some preparatory work has already been undertaken and several examples of potential formats for the Strategy have been reviewed. Once finalised, the draft document will be submitted to Council as soon as practicable for approval.
- 5.31 The key theme of this paper to Council is to further increase awareness of financial resilience and sustainability. Generally, Local Authorities have relied on in-year contingencies and their Reserves' Policies as a measure of financial resilience. Increasingly as a consequence of the Covid-19 pandemic and the increasing number of local authorities in England who have, in recent years, found themselves in financial difficulties, the spotlight has fallen on the financial sustainability of the local government sector in Scotland.
- 5.32 There has also been greater emphasis from external auditors on the assurance and demonstration of the concept of 'going concern' for local authorities and the Council has experienced this scrutiny first hand from Deloitte, the Controller of Audit and the Accounts Commission very recently.
- 5.33 It is therefore, proposed that alongside the development of the Medium Term Financial Strategy, a Financial Resilience Framework will be developed. Put simply, the Framework aims to complement the MTFS by ensuring a longer-term view is taken of the Council's financial resilience i.e the ability to withstand events that impact the Council's income and assets, including unforeseen events. It is anticipated that this will be an iterative development process. This development will provide greater awareness and transparency over what financial resilience is, how it is defined and measured and link clearly to the subsequent actions and decisions required.

Financial governance and operational efficiency

- 5.34 Underpinning all of the collective political and managerial investment in finding innovative solutions to deliver service and financial sustainability, it is important, that a sharp focus is sustained on day-to-day management to ensure it remains operationally efficient and cost effective.
- 5.35 To facilitate this, a series of leadership sessions have been held to ensure that managers are aware of current policies, requirements and expectation in respect of financial management, control and governance.
- 5.36 The Section 95 Officer and Senior Leadership Group monitor the Council's financial outturns closely to identify whether additional actions are required during the financial year to ensure financial balance is maintained once the Budget has been agreed. This has resulted in specific actions being implemented such as spending restraint and short-term vacancy management. Significant additional scrutiny is undertaken by elected members through the Audit and Scrutiny Committee and Council.

6.0 Sustainability Implications

- 6.1 There are no direct sustainability implications arising from this report

7.0 Resource Implications

- 7.1 Financial Details
- 7.2 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 ☒
- 7.3 Finance has been consulted and have agreed the financial implications as set out in the report. Yes ☒
- 7.4 Staffing - None

8.0 Exempt Reports

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

9.0 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
- Complies with relevant Council Policies Yes ☒

10.0 Equalities Impact

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

11.0 Legality

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

12.0 Appendices

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

- Appendix A- Letter to UK Government re Employers NICs changes
- Appendix B- Letter to Deputy First Minister and Cabinet Secretary for Finance (Nov 2023)

13.0 Background Papers

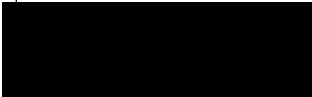
- 13.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered) Yes ☒ (please list the documents below) No ☐

Clackmannanshire and Stirling Integration Scheme

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EF/JD

Date:

17/02/2025

Dear Chancellor Rachel Reeves,

**Financial Impact of Changes to National Insurance Contributions on
Clackmannanshire Council**

I am writing on behalf of Clackmannanshire Council to raise urgent concerns regarding the financial implications of the recent changes to National Insurance contributions. As a local authority responsible for delivering essential public services, we will experience significant pressures as a result of these changes.

The recent amendments to National Insurance contributions, including the reduction in employee rates and changes to employer obligations, have placed a considerable financial strain on our council budget.

While we acknowledge the intended benefits of easing tax burdens on individuals and businesses, the impact on Scottish local government finances cannot be overlooked. Scotland's higher public sector workforce, compared to England, creates a substantial funding shortfall for covering the National Insurance increase announced by the UK Government, and additional pressures will be passported to Local Authorities from our commissioned services/third sector partners as no provision has been made in respect to this.

We have a number of signification concerns that we would wish to highlight :-

Increased Financial Burden on Council Budgets

Clackmannanshire Council is already operating within tight fiscal constraints. The rising cost of employer National Insurance contributions, combined with increasing inflationary

pressures, is further exacerbating our financial position. This threatens our ability to sustain essential services, including social care, education, and public health.

Impact on Workforce and Service Delivery

Local authorities are among the largest employers in their regions. The increased costs associated with these changes may necessitate difficult decisions regarding staffing levels, recruitment, and service provision. At a time when demand for local services is higher than ever, this creates an unsustainable model that could negatively affect our residents.

Lack of Corresponding Financial Support from Central Government

Without additional funding that covers the full direct cost of the NI increase, we face severe financial shortfalls, which could lead to cuts in vital services that communities rely upon.

In light of these concerns, Clackmannanshire Council urges the UK Government to:

- Provide additional financial support to the Scottish Government to fully compensate the public sector for the increased employer National Insurance contributions.
- Provide additional financial support to reflect the ongoing pressures through increased provider costs caused by these changes.
- Engage directly with local councils to assess the full impact and collaboratively develop solutions that ensure funding provided to Scottish Government is sufficient to safeguard essential services.

As a Council we remain committed to delivering high-quality public services, but without urgent intervention, the financial sustainability of our local authority will be severely compromised.

We appreciate your attention to this critical issue and look forward to your support in addressing the challenges outlined in this letter.

Yours sincerely,

Councillor Ellen Forson
Leader of Clackmannanshire Council



APPENDIX B

Councillor Ellen Forson Leader of the Council
Ward 4 Clackmannanshire South (Multi Member Ward)
Kilncraigs, Greenside Street, Alloa, FK10 1EB
Telephone: [REDACTED]
Email: [REDACTED]

Shona Robison
Deputy First Minister and Cabinet Secretary
for Finance
Scottish Government
St Andrew's House
Regent Road
Edinburgh
EH1 3DG

Contact: Councillor E Forson
Direct Tel: 01259 45
Email: @clacks.gov.uk
Our Ref:
Your Ref:
Date: 6 November 2023

Dear Shona

Request for meeting: Clackmannanshire Council

Ahead of this year's budget setting process, I would appreciate the opportunity to meet with you to discuss a range of service and financial planning matters impacting Clackmannanshire Council, some of which I believe may also be impacting other small administrative systems across Scottish councils.

Over the last six years, as the Leader of Clackmannanshire Council, I have worked with my group, council officers and partners to prioritise the transformation of our approaches, with a focus on service and financial sustainability, while ensuring alignment with our shared goals and priorities. We have invested in building local and national relationships to establish positive conditions in which collaboration and transformation can flourish. I believe that we are making good progress on a significant number of initiatives, many of which are being recognised nationally and we are very proud of what we are achieving, including:

- The re-design of local services, with greater emphasis on early intervention and prevention through the Family Wellbeing Partnership and the Promise. The STRIVE approach, takes a multi-agency approach to meeting the needs of our most vulnerable members of our communities, working collaboratively and with purpose with Police, Health and the Third Sector.
- Our approach to delivering funded childcare cuts across silo working and provides a holistic approach for families to help them into employment, training, while supporting wellbeing and creating local jobs.
- Building robust foundations to meet our commitment to deliver The Promise by 2030, including working collaboratively with new partners such as the Vardy Foundation and the Hunter Foundation to leverage the resources required to deliver on this commitment.
- Developing a positive, collaborative culture by embedding values-based leadership in partnership with Columba 1400 and working with elected members, senior leaders, front line teams, young people and third sector partners to create a community of changemakers.
- Leading the way in collaboration with partners on developing a Wellbeing Economy and embedding Community Wealth-building which is recognised nationally
- Promoting partnership working locally and regionally with a range of shared service arrangements such as trading standards; internal audit; street lighting and bridge inspection; waste services as well as the Forth Valley and West Lothian Regional Improvement Collaborative in education.
- Strong innovation via our City Region Deal with the University of Stirling and Stirling Council to create strong economic foundations and improved economic performance focussed on new economic niche of environment and sustainable ageing, in line with the priorities set out in NSET.
- Implementing our Digital Strategy to improve our customer experience, maximise our operational efficiency and cost effectiveness.
- The adoption of a progressive Investment Strategy that is leveraging additional investment of both financial and human resources to support our continuing transformation ambitions.

This progress is being delivered against a backdrop of significant contextual challenges which I believe makes our progress, all the more impressive.

Clackmannanshire Council is Scotland's smallest mainland authority with an aging population of 51,800 who are living longer. Levels of inequality across Clackmannanshire are high: Based on the SIMD results from 2020, Clackmannanshire has 28% of its population (14,500 people) living in the most deprived quintile, the 8th highest in Scotland. Scotland by comparison has 20% of its population living in the most deprived quintile.

Poverty and inequality affects a significant proportion of residents in Clackmannanshire. Despite the collective efforts of both the Scottish Government and the Council, Clackmannanshire has the 3rd highest levels of children under 16 living in relative low income at 25.9%, after Glasgow and North Ayrshire – up from 18.9% in 2020.

Underneath these headlines, lies a further level of demand and complexity of need in respect of the services the Council provides that trends well above the level of deprivation, and which has been significantly exacerbated by the Covid-19 pandemic. Further specific examples include:

- The needs of our children in Early Learning and Childcare and schools have increased significantly post-covid, with areas of deprivation being significantly affected. As many as 40-50% of our children are now receiving additional support in education, including Mental Health supports and for social and emotional development. This comes with significant financial implications – for example, placements for specific needs such as provision for specialist autism needs or profound hearing impairment just cannot be met within a small authority and external costs are significantly higher. Another example is the demand for Additional Support Needs Transport which has increased significantly, and we are currently forecasting a significant overspend on this budget for 2023/24.
- 43% of our care experienced young people are looked after at home, higher than the Scotland average of 34% which we know delivers better outcomes. However, the services required to support these children are significant and often have a high financial cost.
- Due to our small size and demographic picture, we struggle to recruit foster carers which means that 25% of the Council's foster care provision is delivered through external placements - against a national average of 10%. Again, as a result, the costs we incur are significantly higher.
- Levels of domestic abuse in Clackmannanshire are 4th highest per head of population in Scotland. In addition, we have the second highest levels of teenage pregnancies and significant inequalities for women in terms of the gender pay gap and gender-based violence. However, as is the case in many areas, the funding we receive for Violence Against Women is based on population not on need.
- Our population has significant health inequalities with lower-than-average life expectancy; higher than average suicide rates and rates for anxiety, depression, psychosis and health behaviours such as alcohol, drugs and smoking dependencies which all result in an increased demand for services.
- Our area has comparatively low levels of economic activity (69.5%) and a high percentage of workless households (27.5%) and low job density (0.54) when compared with other areas in Scotland and which also impacts on demands for public services.

Yet against this backdrop we continue to make progress in a transformed political environment with significant cross-party support for our ambitions and priorities, and the progress we are making towards tackling these significant issues for our residents with a relentless focus on tackling poverty and inequality.

We have made this progress whilst sustaining financial balance - over the last 10 years Council has agreed almost £49m of savings in the context of a current General Services Revenue Budget of £152m. We have delivered an average of 82% of planned savings and protected frontline service delivery for our most vulnerable citizens. However, this year, perhaps, unsurprisingly, the Council is experiencing unprecedented financial pressures which I believe are more acute for a small Council:

- The distribution mechanism in some respects (for instance as illustrated by the remuneration bands of councillors and officers and financial distribution based on population figures) results in a settlement for the Council which could be compared with that of the island councils. Clackmannanshire Council, however, sits in a strategically important location in the Central belt of Scotland with commensurate expectations of our contribution to the delivery of regional and national policy and connectivity.

- As a small Council, within an area of significant deprivation and need, we do not benefit from significant opportunities to generate additional income , for instance 1% of council tax generates circa £255K; we do not have revenue streams such as oil revenue, and proposed local levies such as the visitor or parking levies would not generate significant income.
- Additionally there is no acknowledgement of the issues of scale and context in the current distribution mechanism in terms of the delivery of services to our residents: there is no equivalent to the islands allowance; needs- based indicators within the distribution do not reflect the variable contextual challenges as I believe were intended; Clackmannanshire receives no benefit from the floor mechanism and the distribution does not take into account any minimum level of resourcing to deliver public services to a prescribed performance standard.

There are many more illustrations I could share, however, I will conclude that I believe in Clackmannanshire we have transformed our profile, level of ambition and culture; this has served us well and delivered almost £50m of savings over the last decade or so, ensuring that we have protected public services for our communities, and are now leading the way in developing many approaches which better support some of our most vulnerable residents.

However, in the current context, with significant cost pressures and increasing demand for services, I do not believe that there is a level playing field for small councils within the current local government settlement, and I am concerned we are now starting to see variabilities in local performance standards that adversely impacts our most vulnerable.

On this basis, I hope that you will meet with me in order that we can further explore some of these issues. As part of such discussions, I would be happy to share details of some of the potential decisions we are facing in the forthcoming budget round to illustrate the cumulative impact of the contextual and financial pressures I have described.

I look forward to hearing from you.

Yours sincerely

Councillor Ellen Forson
Leader of the Council