
Report to: Clackmannanshire Council

Date of Meeting: 16 May 2024

Subject: Budget Strategy Update

Report by: Chief Executive

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 post – Budget context and sets the timetable and key milestones to commence the 2025/26 Budget process.

2.0 Recommendations

2.1 Council is asked to:

2.1.1 agree the high level Budget Timetable (Appendix A)

2.1.2 note the extremely challenging financial position faced by the Council (paragraphs 3.1 to 3.6)

2.1.3 note that the indicative funding gap is £13.012m in 2025/26 rising to £29.662m by 2028/29 (paragraph 3.5 and Exhibit 2)

2.1.4 note the arrangements for 2025/26 budget preparation, including the work of the Budget Working Group and the proposed scheduling of three tranches of Budget Challenge sessions (paragraphs 3.7 to 3.9)

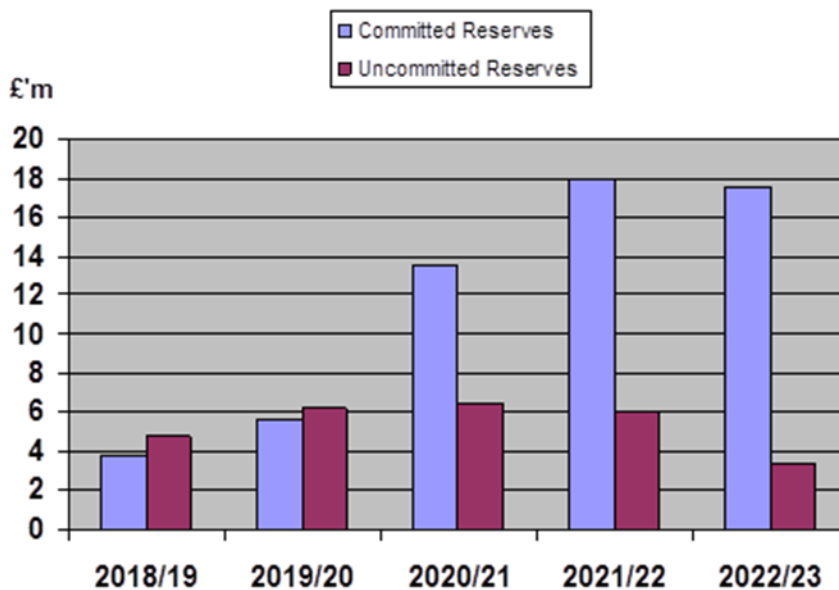
2.1.5 note the approach to the development of the HRA Business plan to support the preparation of the 2025/26 Revenue and Capital Budgets (paragraphs 3.10 to 3.12)

2.1.6 note the ongoing work with CoSLA and the Scottish Government to raise awareness of the systemic and contextual challenges facing Clackmannanshire (paragraph 3.13)

3.0 Post Budget Financial Outlook and Indicative Funding Gap

- 3.1 The financial and economic context within which the Council is operating remains challenging and highly uncertain. For this reason, spending restraint and the recruitment freeze implemented during the 2024/25 financial year will continue until at least June 2024 and will be reviewed in the light of the Council's 2024/25 Quarter 1 outturn forecasts. This position will be reported to the Audit and Scrutiny Committee and/ or Council as appropriate.
- 3.2 In this context, it is extremely important that work to implement savings approved in the Council's recent 2024/25 Budget, is prioritised. During May, services' approved budget allocations will be uploaded to Tech One. These budgets will reflect appropriate reductions in the budgeted sums where savings have been approved by Council. If services are delayed in implementing savings, it is important that forecasts accurately reflect this position in order that this can be scrutinised by the Audit and Scrutiny Committee and that mitigating savings are identified by services to ensure that the Budget remains balanced throughout the year.
- 3.3 Paragraph 3.6 below highlights the Council's current uncommitted reserves balance of £3.230m or 2% of net expenditure. External Audit have highlighted the trend in the Council's utilisation and earmarking of reserves and this is set out at Exhibit 1 below. Exhibit 1 shows reducing levels of uncommitted reserves and increasing balances of earmarked reserves- whilst this is in part as a consequence of the receipt of one-off and/ or ring –fenced monies such as the receipt of Covid funding, during the 2024/25 financial year, these balances will be considered alongside routine budget monitoring to increase visibility, scrutiny and transparency, and facilitate the timely release of funds no longer required.

Exhibit 1: Earmarked reserves trends



3.4 Following Budget setting, the net expenditure, funding and resulting indicative funding gap for 2025/26 and beyond are shown in Exhibit 2. Council will note that the 2025/26 gap increased by £8.193m due to the utilisation of one off cash savings and revenue reserves which have been committed to support the 2024/25 Budget:

Exhibit 2: General Services Budget 2024/25-2028/29 Indicative funding gap

	2024/25	2025/26	2026/27	2027/28	2028/29
	£000	£000	£000	£000	£000
Net Expenditure	161,493	167,709	173,157	178,258	183,786
Net Funding	(161,493)	(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

3.5 The table above shows that the indicative funding gap for 2025/26, after the setting of the 2024/25 budget, is £13.012m, and there is a cumulative gap of £29.662m by 2028/29. This is based on current assumptions at this time and will be updated through the regular Budget Strategy updates to Council throughout the year.

3.6 This undoubtedly reflects a very challenging situation as we look ahead to next year's budget setting, especially when considered against the current context:

- £65.7m of budget savings which have already been approved by Council since 2010
- A forecast 2024/25 operating deficit of £14m in respect of the Clackmannanshire and Stirling Health and Social Care Partnership Budget
- Affordability of pay awards for 2024/25 and beyond
- Continuing inflationary pressures on the costs of goods and services
- the minimum reserve policy of 2% remains unchanged with the balance of £3.230m in uncommitted General Services Revenue reserves, after setting the budget, equating to 2%
- That few of the financial flexibilities and/or income raising opportunities made available to Scottish Local Government make a significant impact in the Clackmannanshire context, for instance the visitor levy and Council tax on second homes.

- 3.7 In light of this context, and in keeping with previous years, it is therefore appropriate that Council sets out the Budget preparation timetable and milestones to allow for work to be progressed prior to Council recess. The Budget process will again comprise the following key elements:
- **Budget challenge sessions** at portfolio and whole Council level: the first of three tranches of sessions will take place prior to Council recess
 - **Capital Operations Group**: will oversee both the capital programme monitoring arrangements, refresh the currently approved programme, as well as coordinating and evaluating new capital bids
 - **Member and Trade Union Briefings**: a Briefing session will be held following each Challenge round and same information shared with both elected members and Trade Union representatives
 - **Internal and External Consultation process**:; the established process of consultation and engagement will be undertaken and the outcomes reported to all members and publicly as part of usual Budget arrangements.
- 3.8 Monthly Budget Working Group meetings have been set up, starting from May. This group is made up of the Chief Executive, the Chief Financial Officer and the Strategic Directors from the three portfolio areas with the purpose of overseeing the full budget process. The group is responsible for directing the key budget tasks, ensuring that the timeline is adhered to. The group will continue to meet to support the budget strategy up until the budget is set.
- 3.9 The high level Budget timetable and associated key milestones are set out in Appendix A.
- 3.10 As in previous years the budget setting process also includes the preparation of the HRA Revenue and Capital budgets including the setting of the HRA Rent levels. The approach includes three key areas of work which are currently underway:
- Preparing the expected level of Revenue income and expenditure on HRA activities for the coming year,
 - Reviewing and updating the Capital programme
 - The annual Rent consultation with tenants (mid Nov to mid Dec).
- 3.11 To support the above work for the 2025/26 financial year and over the medium to long term two additional areas of activity are being undertaken:
- a refresh of the 30 year business plan which will inform the capital programme over the longer term, and
 - a review of central support recharges between the General Fund and the HRA to ensure that appropriate costs are accounted for in line with national guidance.

3.12 The 2025/26 HRA Revenue and Capital budget will be put forward to Council in early 2025 in line with the timescales for issuing any notice to tenants of changes in rent levels.

3.13 In recent Council briefings and Council meetings, the Council Leader and Chief Executive have briefed councillors on political and managerial engagement to promote understanding, awareness and potential action with regards Clackmannanshire Council's systemic and contextual challenges and how this relates the funding and distribution mechanism. This work continues with both CoSLA and Scottish Government, following recent visits by the CoSLA Presidential Team and the Permanent Secretary and Scottish Government Directors to Clackmannanshire.

4.0 Sustainability Implications

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

5.0 Resource Implications

5.1 *Financial Details*

5.2 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

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

5.4 *Staffing*

5.5 There are no direct staffing implications arising from this report.

6.0 Exempt Reports

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

7.0 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)

8.0 Equalities Impact

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes No

9.0 Legality

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

10.0 Appendices

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

Appendix A- Budget 2025/26: Key Milestones, Timeline and Outputs

11.0 Background Papers

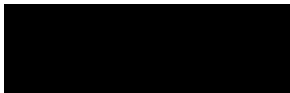
11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

- General Services Revenue and Capital Budget 2024/25

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Nikki Bridle	Chief Executive	2002

Approved by

NAME	DESIGNATION	SIGNATURE
Nikki Bridle	Chief Executive	

DRAFT Budget 2025/26: Key Milestones, Timeline and Outputs

Task/ milestone	Timing	Stakeholders/ attendees	Output
Budget Challenge Session 1	Weeks commencing 3 and 17 June	Directors, CEX, CFO	First tranche for proposed savings & pressures: populate template
Members Briefing and TU Briefing	August	All Elected Members, TU's, Directors, CEX, CFO	Output of Budget Challenge Session 1
HSCP Strategic Plan: Review of Priorities and Funding	August	HSCP Chief Officer & CFO, CEX, Leader and CFO	HSCP Strategic Plan priorities linked to resource transfer and savings requirement & pressures
Budget Challenge Session 2	September	Directors, CEX, CFO	Draft Business Cases
Capital Bids Submitted	September	Capital Operations Group (officer operational group)	Draft capital bid preparation
Budget Engagement Preparation	September	SLG, Leader	Draft programme and materials defined
Members Briefing and TU briefing	October	All Elected Members, TU's, Directors, CEX, CFO	Output of Budget Challenge Session 2
HRA	October	Director Place & HRA Senior Manager	Business Plan Review
Draft Capital Plan	October	CFO, Capital Operations Group	Capital Plan Review
Budget Challenge Session 3	November	Directors, CEX, CFO	Advanced Draft Business Cases and draft EQIA
Budget Engagement Commencement	November	SLG, Leader	
Members Briefing and TU Briefing	December	All Elected Members, TU's, Directors, CEX, CFO	Output of Budget Challenge Session 3

Task/ milestone	Timing	Stakeholders/ attendees	Output
Capital Bid Corporate Round Table	November	CFO, Capital Operations Group	Final Capital bids
Consultation Outcome	January	SLG	Engagement Results, Draft Pack and Advanced Draft EQIA
Proposed Capital Plan	January	CEX, CFO & Directors	Finalise proposed Capital Plan
HSCP Resource Transfer	January	HSCP Chief Officer & CFO, CEX, Leader and CFO	Resource transfer position consolidated for integration with Council budget
HRA	January	Director Place, HRA Senior Manager & CFO	Finalise proposed HRA Budget
Members Briefing and TU Briefing	January	All Elected Members, TU's, Directors, CEX, CFO	Budget Gap update following draft settlement & Proposed Capital Plan
Pre consultation draft Budget	January	Administration, SLG, CFO	Draft Budget subject to consideration of Engagement and EQIA.
Budget setting – General Fund & HRA	By end of February	Special Council	Final Budget

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

- In addition to the above the Budget Working Group will also be held on a Monthly basis consisting of the Chief Executive, Chief Finance Officer and Directors.

- The Capital Operations Group will meet every second month and consisting of the Chief Finance Officer, Directors and relevant officers.