
Report to: Clackmannanshire Council

Date of Meeting: 15 May 2025

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 post – Budget context and sets the timetable and key milestones to commence the 2026/27 Budget process.

2.0 Recommendations

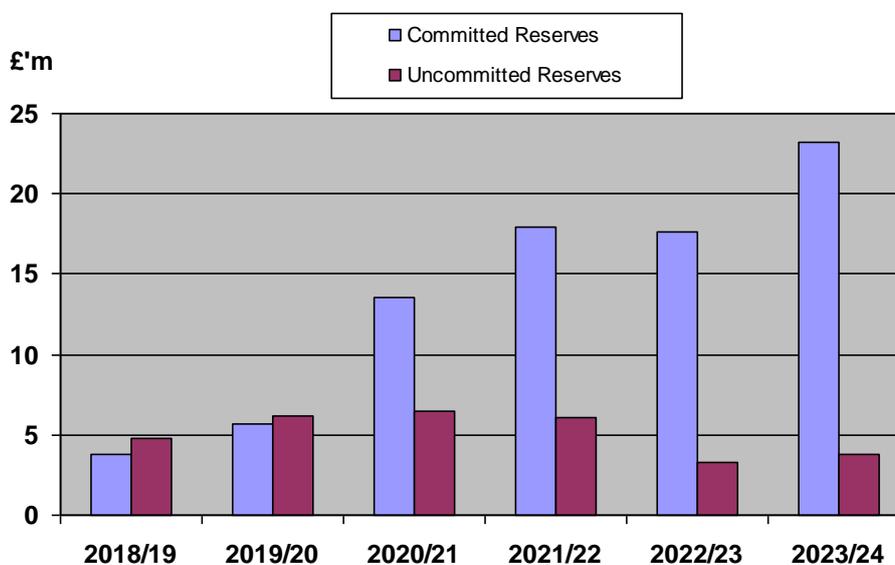
2.1 Council is asked to:

- 2.1.1 agree the high level Budget Timetable (Appendix A)
- 2.1.2 note the extremely challenging financial position and financial risks faced by the Council and the mitigations being put in place to manage these risks (paragraphs 3.1 to 3.6)
- 2.1.3 note that a Medium Term Financial Strategy (MTFS) is being developed and will be presented to Council in June (paragraph 3.7)
- 2.1.4 note that the indicative funding gap is £7.340m in 2026/27 rising to £19.132m by 2029/30 (paragraph 3.5 and Exhibit 2)
- 2.1.5 note the arrangements for 2026/27 budget preparation, including the work of the Budget Working Group and the proposed scheduling of three tranches of Budget Challenge sessions (paragraphs 4.1 to 4.3 and Appendix A)
- 2.1.6 note the approach to the preparation of the HRA 2026/27 Revenue and Capital Budgets (paragraphs 4.4 to 4.6)
- 2.1.7 note the establishment of a cross party working group to support the budget setting process (paragraph 4.7)
- 2.1.8 note the ongoing work with CoSLA and the Scottish Government to raise awareness of the systemic and contextual challenges facing Clackmannanshire (paragraph 4.9)

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 as set out in the 2025/26 Budget reports to Council in February 2025. For this reason, spending restraint and the recruitment to critical posts only, implemented during the 2024/25 financial year, will continue during 2025/26. This position will be reviewed regularly throughout the year informed by the Council's quarterly outturn forecasts and updates on any financial areas of uncertainty. 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 2025/26 Budget, is prioritised. Services' approved budget allocations for 2025/26 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 £3.420m 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 low levels of uncommitted reserves and increasing balances of earmarked reserves. This has been in part due to the receipt of one-off and/ or ring-fenced monies such as the receipt of grant funding which should be utilised in line with any terms and conditions. These balances are considered through routine budget monitoring to ensure utilisation, increase visibility, scrutiny and transparency, and to 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 2026/27 and beyond are shown in Exhibit 2. Council will note that the 2026/27 gap increased by £3.430m due to the utilisation of one off cash

savings, revenue reserves and capital receipts which have been committed to support the 2025/26 Budget:

Exhibit 2: General Services Budget 2025/26-2029/30 Indicative funding gap

	2025/26	2026/27	2027/28	2028/29	2029/30
	£000	£000	£000	£000	£000
Net Expenditure	170,980	179,396	186,987	194,663	201,763
Net Funding	(170,980)	(172,056)	(174,984)	(178,430)	(182,631)
Cumulative indicative Funding Gap	-	7,340	12,003	16,233	19,132
Annual indicative Funding Gap	-	7,340	4,663	4,230	2,899

3.5 The table above shows that the indicative funding gap for 2026/27, after the setting of the 2025/26 budget, is £7.340m, and there is a cumulative gap of £19.132m by 2029/30. 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 financial context and key risks:

- £74m of budget savings have already been approved by Council since 2010;
- Pay award for 2025/26 – the pay award for 2025/26 has not yet been agreed and discussions are ongoing between Trade Unions, and COSLA and Council Leaders. Anything above the 3% included within the approved budget would require additional funding in 2025/26 and this would add to the gap in future years if permanent funding is not received;
- Clackmannanshire and Stirling Health and Social Care Partnership Budget (HSCP) projected overspend 2024/25 – the Partnership is currently forecasting an overspend of c£10m as reported to the IJB Board in March 2025. Following consideration of Council of a request for funding after the 2025/26 budget had been set the Council agreed to one of the options put forward by the Chief Finance Officer amounting to £1.327m, equivalent of a share based on budgeted contribution, to be repaid in future years;
- HSCP budget 2025/26 – at the time of writing this report, the IJB Board has not set a balanced budget for 2025/26. A budget gap of £8m after savings of £11m has been identified. Along with the request for additional funding for 2024/25, the IJB Chief Officer and Chief Financial Officer also requested an additional funding contribution for 2025/26 towards this gap, again presenting 3 options. Council considered this request, however could

not support any additional funding based on affordability as the request had been made after setting the 2025/26 Council budget;

- Increase in Employers National Insurance Rates (NI) – it is estimated that this will add £1.9m to the Councils paybill for 2025/26. Scottish Government funding at 60% has been confirmed, leaving a pressure of c£800k for the Council to find 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, works and services. The quantum of this amount is currently unknown but would also need to be met from Council funds.
 - Continuing inflationary pressures on the costs of goods and services;
 - Increases 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;
 - Reserve Balances - uncommitted General Services Revenue reserves amount to £3.420m after setting the 2025/26 budget which equates to 2% in line with the minimum reserve policy. With the use of reserves to support the budget in previous years and the anticipated cost pressures mentioned above it is essential that the Council continues to prudently manage and direct reserve balances to ensure that these support activity including transformation to maintain financial sustainability and protect services, and
 - 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.
 - Future year budget gap – the indicative gap for 2026/27 shown above indicates a funding shortfall of £7.4m rising to £19.1m. As noted above, there are a number of assumptions within these indicative figures including assumptions on pay of 3%, flat cash funding and an increase in Council tax of 10%.
- 3.7 The risks and uncertainties noted above will be a key feature within the Medium Term Financial Strategy (MTFS) that is being developed and will be presented to Council at its meeting in June. A Financial Resilience Framework is also being developed that will sit alongside the MTFS to provide a longer term view of the Councils financial resilience.
- 3.8 In light of the current challenges the Council is undertaking a number of activities that are in varying stages of development that will mitigate the pressures and service and financial sustainability challenges currently being faced:
- Prioritising the political and managerial awareness raising and lobbying with regards the systematic challenges facing the Council with the Scottish Government, COSLA and key stakeholders such as Deloitte, the Council’s

external auditors, Audit Scotland and the Accounts Commission. Key activities include meetings with Scottish Government post budget setting and a commitment to further meetings and regular check-ins with External Audit covering current issues including HSCP, MTFP etc. (paragraphs 4.8 and 4.9);

- Be the Future Target Operating Model - this work is being progressed in parallel with the Regional Collaborative Working options appraisal. The Senior Leadership Group (SLG) has held sessions to identify potential design options on delivery and the Chief Executive is developing consequential Management arrangement options. Good progress is being made on the Discovery Phase – associated with this is a joint invest to Save Bid which has been submitted to Scottish Government Fund in conjunction with Falkirk Council, requesting additional financial support to assist with phase 2 work which will follow this discovery phase (see Be the Future Report also on this agenda);

- Be the Future Transformation Programme – at its last meeting, Council considered and agreed the Transformation Space work which is innovative in this area. Significant progress is also being made on Digital and Data transformation including the Data Insights work and work to develop the SWIT system (see Be the Future Report also on this agenda);

- Income maximisation - a refreshed draft strategic approach is being developed on the Investment Strategy and a resource is continued to be sought following a recent unsuccessful recruitment campaign;

- Officers are participating in a COSLA group which is reviewing the challenges of small Councils and our work is informing the scope of the group;

- The Councils MTFS and Financial Resilience Framework is being developed and will be presented to Council in June 20205 (paragraph 3.7), and

- Continued focus on sound financial governance and maximising management efficiency in operational delivery. Financial mitigations of Spending Restraint and Recruitment to Critical Posts only is being continued for 2025/26 to ensure spend is in line with budget and support uncommitted reserves in light of the financial uncertainties noted above. Training sessions for budget holders along with developing the financial ledger system to improve oversight of financial management is also being progressed (paragraph 3.1).

3.9 Further updates on this work will be reported to Council through the appropriate reporting mechanism.

Budget Approach 2026/27

4.0

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:

4.1

- **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 meet every second month to oversee both the in-year capital programme monitoring arrangements, review the currently approved programme and coordinate and evaluate 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.
- 4.2 Monthly Budget Working Group meetings have been set up, commencing in May. This group is made up of the Chief Executive, the Chief Financial Officer, the Chief Accountant, the Senior Manager for Transformation & Capital 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.
- 4.3 The high level Budget timetable and associated key milestones are set out in Appendix A. A detailed project plan is being developed which will include a full project timeline for each main task with an assigned responsible officer, a risk register and identify dependencies between tasks. Oversight of this project plan will be undertaken by the budget Working Group.
- 4.4 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).
- 4.5 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:
- stock condition surveys of our assets which will inform an improvement programme that will be built into the capital plan for future years, 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.

- 4.6 The 2026/27 HRA Revenue and Capital budget will be put forward to Council in early 2026 in line with the timescales for issuing any notice to tenants of changes in rent levels.
- 4.7 To support the budget process from an all member perspective a cross party working group is being established. This group will be represented by political leadership reflective of the make up of Council, up to a maximum of eight elected members. Regular meetings will be arranged with additional meetings nearer the budget setting date if required.
- 4.8 In recent Council briefings and Council meetings, and most recently within the Budget Context and Outlook Report presented to Council alongside the 2025/26 Budget Report at its meeting in February 2025, the Council Leader, Chief Executive and Chief Financial Officer 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.
- 4.9 This work is continuing through engagement with both CoSLA and Scottish Government and most recently, the Chief Executive and Chief Financial Officer met with the Scottish Government to provide an update on the Councils position following the setting of the Councils budget in February. The Chief Executive has also met with the Chief Executive of COSLA to discuss the nuances the Council faces as a small Council and the Chief Finance Officer is participating in a group, led by COSLA, with several other Directors of Finance to explore these challenges and potential mitigations including the allocation of funding and a de minimus funding level. Further updates on this work will be provided throughout the year.

5.0 Sustainability Implications

- 5.1 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**

Complies with relevant Council Policies

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 2026/27: Key Milestones, Timeline and Outputs

11.0 Background Papers

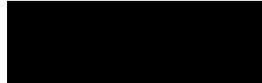
11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

- General Services Revenue and Capital Budget 2025/26

Author(s)

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

Approved by

NAME	DESIGNATION	SIGNATURE
Nikki Bridle	Chief Executive	

Budget 2026/27: Key Timeline, Milestones and Outputs

Task/ Milestone	Timing	Responsible Officer(s)	Stakeholders/ Attendees	Output
Develop detailed project plan (including risk register and dependencies)	May	Senior Manager - Transformation	Budget Working Group	Project plan
Budget Working Group	May	CFO/CA	SLG, CFO, CA	Reviewing Project Plan
Budget Challenge Session 1	June	CFO/CA	Directors, Senior Managers, CEX, CFO and CA	Initial officer savings proposals and pressures – Savings spreadsheet to be populated
Budget Working Group	August	CFO/CA	SLG, CFO, CA	Reviewing business cases
Members and TU Briefings	August	CFO/CA	All Elected Members, TU's, Directors, CEX, Senior managers, CFO, CA	Outputs of Budget Challenge Session 1
HSCP - Resource Transfer	October	HSCP CO and CFO	HSCP Chief Officer & CFO, CEX, CFO and CAO	Review 2026/27 Business Case
Budget Working Group	September	CFO/CA	SLG, CFO, CA	Reviewing business cases
Budget Challenge Session 2	September	CFO/CA	Directors, Senior Managers, CEX, CFO and CAO	Updated business cases and list of potential savings
Capital Bids Submitted	October	Senior Manager - Transformation	Capital Operations Group	capital bids
Budget Working Group	October	CFO/CA	SLG	Review savings and demand pressures proposals
Members and TU Briefings	October	CFO/CA	All Elected Members, Tus, Directors, CEX, CFO and CA, Senior Managers	Output of Budget Challenge Session 2
HRA Budget Preparation	October	Director - Place	Director – Place, Senior Manager	Draft HRA budget preparation
Review Capital Plan	October	Senior Manager - Transformation	Capital Operations Group	Draft Capital Plan
Budget Working Group	November	CFO/CA	SLG, CFO.CA	Review draft capital plan
EQIA - Draft	November	Senior Manager - P&T	Directors, Senior Mangers	Draft EQIA prepared, engage with appropriate groups
Budget Engagement Preparation	November	Senior Manager - P&T	SLG, Leader, Senior Manager (P&T)	Draft consultation materials
Budget Booklet Preparation	November	Senior Manager - P&T	Senior Manger P&T + Comms	Prepare draft on content narrative
Statement of Corporate Priorities	November	Senior Manager - Transformation	SLG, Senior Manager - Transformation, Senior Manager P&T	Identify and agree corporate priorities for 2026/27
Budget Challenge Session 3	November	CFO/CA	Directors, Senior Managers, CEX, CFO and CA	Advanced Draft of Business Cases
HRA Rent Consultation	November	Director - Place	Director - Place, Senior Manager, CFO and CA	Consult on proposed rent increases
Members and TU Briefings	December	CFO/CA	All Elected Members, Tus, Directors, CEX, CFO and CA	Output of Budget Challenge Session 3
Budget Working Group	December	CFO/CA	SLG, CFO.CA	Review Gap position

Task/ Milestone	Timing	Responsible Officer(s)	Stakeholders/ Attendees	Output
Scottish Government Budget & Local Government Settlement	December	CFO/CA	CFO/CA	Updated Gap position
Budget Engagement - Officer Proposals	January	Senior Manager - P&T	SLG, Leader, Senior Manager (P&T)	Consultation launched in relation to officer budget proposals. Public and relevant stakeholders including 3rd Sector etc.
EQIA	January	Senior Manager - P&T	Senior Manger P&T	Advanced EQIA
Proposed Capital Budget	January	Senior Manager - Transformation	CEX, Directors, CFO and CAO	Finalise proposed Capital Plan
HSCP - Resource Transfer	January	CFO/CA	HSCP CO and CFO, CEX, Leader, CFO and CA	Resource transfer position consolidated for integration with Council budget
HRA Budget Finalised	January	Director-Place	Director - Place, Senior Manager, CFO and CA	Finalise proposed HRA Budget
Members and TU Briefings	January	CFO/CA	All Elected Members, Tus, Directors, Senior Managers, CEX, CFO and CA	Budget Gap updates following draft settlement and proposed capital plan
Budget Working Group	January	CFO/CA	SLG, CFO.CA	Management Budget
Budget Booklet - Finalised	By end of January	Senior Manager - P&T	Senior Manager P&T and Comms, Directors, Leader	Final proposed Budget Booklet prepared including corporate priorities
Budget Setting - HRA Revenue & Capital Budget	January	Director - Place	Council/Special Council	Final Budget presented for Approval
Consultation Outcome	February	Senior Manager - P&T	SLG, Leader, Senior Manager (P&T)	Engagement Results, Draft Pack
Budget Working Group	February	CFO/CA	SLG, CFO.CA	Finalise outstanding budget tasks
Budget Cascade - Pre Budget	February	CFO	All staff	Cascade to staff
Budget Setting - General Fund Revenue & Capital Budget and Treasury Management Strategy	February	CFO/CA	Special Council	Final Budget presented for Approval
Budget Cascade - Post Budget	March	CFO	All staff	Cascade to staff
Budget Working Group	March	CFO/CA	SLG, CFO.CA	Budget Debrief