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**Report to : Clackmannanshire Council**

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**Date of Meeting: 26 June 2025**

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**Subject: Medium Term Financial Strategy 2025**

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**Report by: Section 95 Officer**

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## **1.0 Purpose**

- 1.1. The purpose of this report is to present the Council's Medium Term Financial Strategy (MTFS) for approval. This proposed MTFS represents progress in delivering the Council's Best Value Action Plan, agreed on 28 November 2024, following receipt of the Controller of Audit report and Accounts Commission Findings in September 2024.

## **2.0 Recommendations**

- 2.1. Council is asked to:

- 2.1.1. agree the Medium Term Financial Strategy (Appendix A)
- 2.1.2. note that further updates on the budget strategy and budget gap will be reported as usual through the regular Budget Strategy Update reports to Council
- 2.1.3. note the significant uncertainties which continue to prevail from a financial planning perspective, including those in respect of external financial pressures and the quantification of funding levels for future years (paragraph 3.4)
- 2.1.4. note that the progress, financial impact and timescales associated with key service and financial sustainability measures being taken forward by the Council will be reviewed on a regular basis, and consequential updates made to the MTFS as appropriate (Paragraphs 3.4-3.6)
- 2.1.5. note that the Financial Resilience Framework will be developed following agreement of the Council's MTFS (paragraph 3.7).

### 3.0 Considerations

- 3.1. In November 2024, Council agreed its Best Value Action Plan which included the following proposed actions in response to the recommendation that *‘The Council should urgently develop a medium-term financial strategy to set out how it intends to achieve financial sustainability’*:

*“While the Council regularly engages in scenario planning to prepare for various economic conditions, the Chief Finance Officer will develop a Medium-Term Financial Statement. This statement will incorporate insights from multiple sources, including Budget Strategy updates and Be the Future updates, which are routinely reported to the Council and relevant committees.*

*Lobbying SG and COSLA re the systemic funding issues/mechanisms impacting adversely on Clackmannanshire- aim to positively influence pre-budget engagement*

*TOM- mixed economy of service delivery models agreed in October 2022- this aims to build on and augment the Council’s extensive range of collaborations and significant work currently under consultation at Regional level*

*Council approved Investment Strategy and has leveraged significant external resource from both SG, Sport Scotland, Hunter Foundation, Vardy Foundation and through partnership with other agencies and third sector (£ and expertise)*

*The work to develop the FWP Transformation Funding Vehicle will contribute to a medium and longer term financial strategy in relation to the model of public service delivery.*

*Working collaboratively with HSCP Partners to encourage establishment of robust Recovery Plan supported by transparent due diligence over proposals re IJB overspend’*

- 3.2. Following the approval of this Action Plan, and the Council’s 2025/26 budget, work has been progressed at pace to consolidate key information into a single Medium Term Financial Strategy document.
- 3.3. Council will also note that the other key actions focussed on delivering service and financial sustainability (per paragraph 3.1) are also being prioritised and that Council has received separate updates on this work through the regular Be the Future and Budget Strategy Update reports.

3.4. Appendix A sets out the proposed MTFS for approval. Key points to note are:

3.4.1. The MTFS pulls together information from a wide variety of sources to allow the Council to demonstrate how it intends to manage its finances in the medium term (up to 5 years), drawing on the established foundations of robust financial management, a track record of delivering planned savings, strong history of partnership and collaboration and a creative and innovative approach to service design and delivery through the Council's agreed Be the Future Target Operating Model and Transformation Programme

3.4.2. The financial and socio-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

3.4.3. The indicative funding gap for 2026/27, after the setting of the 2025/26 budget, is £7.340m, with a cumulative gap of £19.132m by 2029/30. This is based on current assumptions and will be updated through the regular Budget Strategy updates to Council throughout the year.

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

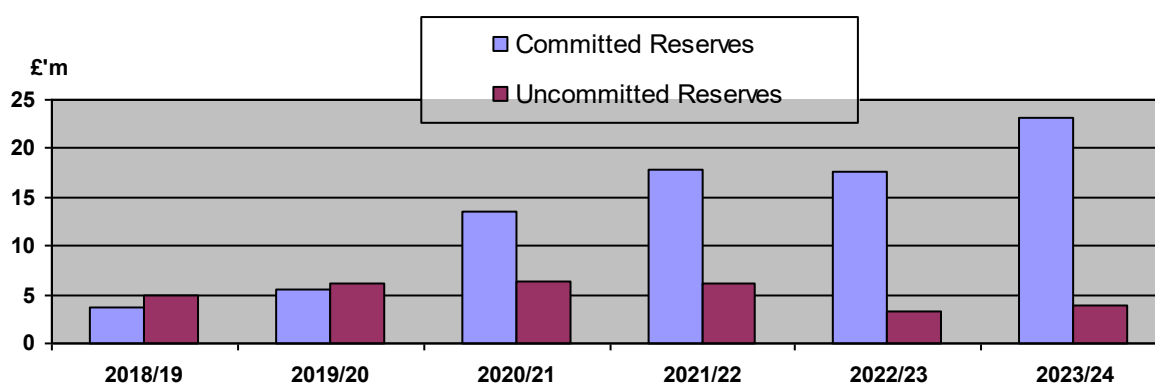
	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Net Expenditure	170,980	179,396	186,987	194,663	201,763
Net Funding	(170,980)	(172,056)	(174,984)	(178,430)	(182,631)
Cumulative indicative Funding Gap	-	7,340	12,003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

3.4.4. The MTFS sets out a range of financial planning assumptions, uncertainties and risks. These are further considered in a range of High, Medium and Low financial planning scenarios which enhance the sensitivity analysis with regards the routine financial planning information reported to Council, showing the significant impact of potential changes in assumptions such as pay, demand and inflationary pressures, Grant funding and other income sources such as Council tax levels and Non-Domestic Rate income. The MTFS suggests the gap could rise as high as £47.8m under adverse conditions

3.4.5. The level of scrutiny in respect of the Council's reserves position has been enhanced as previously advised. The Council's current uncommitted reserves balance is £3.420m or 2% of net expenditure.

3.4.6. 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**



3.4.7. In light of these current challenges, the Council is undertaking a range of activities which aim to mitigate the service and financial risk exposure scenarios detailed, these include:

- 3.4.7.1. Prioritising the political and managerial awareness raising and lobbying with regards the systemic challenges facing the Council with key partners, including the Scottish Government, COSLA, Deloitte, the Council's external auditors, Audit Scotland and the Accounts Commission
  - 3.4.7.2. Be the Future Target Operating Model – This work has two current and high priority activities underway- firstly Collaborative Discovery Phase work with Falkirk Council to identify potential collaborative service delivery options; and secondly, the Senior Leadership Group (SLG) is developing potential design options for service delivery models as well as reviewing management arrangements options
  - 3.4.7.3. Be the Future Transformation Programme – Council recently considered and agreed developments related to the innovative Transformation Space/ Funding Vehicle work. Significant progress is also being made on Digital and Data transformation including the Data Insights work and work to develop the SWIT system
  - 3.4.7.4. Income maximisation
  - 3.4.7.5. The Councils MTFS and Financial Resilience Framework is being developed (paragraph 3.7), and
  - 3.4.7.6. Continued focus on sound financial governance and maximising management efficiency in operational delivery.
- 3.5. The Strategy proposed is multi-faceted. In summary, it focuses on three core elements:
- Reducing expenditure
  - Maximising income, and
  - Transformation of service delivery.
- 3.6. The Strategy aims to be realistic, pragmatic and action focussed. It seeks to build on sound financial management foundations and a positive track record of delivery to date. However, the Strategy also highlights the fact that due to the significant work and decisions taken over more than a decade, the options available are diminishing and not always entirely within the Council's sole influence.
- 3.7. As a consequence, progress will be carefully monitored, reported and acted upon, especially if our experience differs in any material aspect from our financial planning assumptions. This will ensure that the MTFS remains a 'live' document and is regularly updated for significant variations in assumptions.

- 3.8. It is proposed that as a 'companion' to the proposed MTFS, A Financial Resilience Framework is also developed. The Framework aims to complement the MTFS by ensuring that 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. Following the agreement of the MTFS, work will be taken forward to further develop this approach.

#### **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 have been consulted and have agreed the financial implications as set out in the report. Yes ☒

##### *5.4. Staffing*

#### **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**

- 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 – Medium Term Financial Strategy

**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)

Yes ☒ (please list the documents below) No ☐

- General Services Revenue and Capital Budget 2025/26 – February 2025
- Budget Context and Outlook Report – February 2025
- Budget Strategy Update – May 2025

**Author(s)**

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

**Approved by**

NAME	DESIGNATION	SIGNATURE
Nikki Bridle	Chief Executive	





# Medium Term Financial Strategy

## 2025/26 -2029/30

Prepared as at June 2025



**Clackmannanshire  
Council**

[www.clacks.gov.uk](http://www.clacks.gov.uk)

Comhairle Siorrachd  
Chlach Mhanann

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## 1. Foreword

This Medium Term Financial Strategy (MTFS), the strategy pulls together information from a wide variety of sources to allow the Council to demonstrate how it intends to manage finances in the medium term, drawing on the established foundations of robust financial management; a track record of delivering on our saving plans; a strong history of partnership working and collaboration, and a creative and innovative approach to service design and delivery which continues to grow under the Council's ambitious Be the Future Target Operating Model and Transformation Programme.

In developing our strategy, it has been important to reflect the very challenging context within which the Council operates, with a level of need and demand which trends above the quantifiable deprivation levels in the County. This reflects the critical services and supports the Council provides to our communities and service users and underlines our mission to deliver the best services we possibly can for them.

This has required that we sustain a focus on our performance, set clear priorities for our investment decisions and deliver best value in our decision-making. Increasingly, in recent years, we have implemented transformational approaches to allow us to shift our service delivery models to focus on prevention and early intervention wherever possible, and to deliver improved outcomes and better manage current and future demand for services.

As the smallest mainland authority in terms of our resident population, the challenge we face remains amongst the most significant in Scotland, even with the longstanding proactive and effective steps we have taken to protect frontline services to date. Additionally, we have already implemented most measures that others are only now having to consider, reducing the scope for 'easy' solutions to the increasing demand and reducing real terms resourcing we are receiving.

This means that the strategy I am proposing is multi-faceted. It focuses on three core elements:

- Reducing expenditure
- Maximising income, and
- Transformation of service delivery.

There are a range of actions we are working on which seek to deliver medium term service and financial sustainability and some of the key activities are set out in the strategy alongside the risks we are seeking to mitigate. Our approach includes continuing with our significant investment prioritisation of those activities which will contribute to delivering service and financial sustainability, such as our revenue and capital investment in digital and data Transformation, which aims to help us to better interpret our data, inform decision-making, maximise operational efficiency and support the development of predictive scenarios.

The Exhibit below captures some of the headlines from our MTFS.

## **MTFS Content and Highlights 2025/26-20/29/30**

The Clackmannanshire Council Medium Term Financial Strategy (MTFS) 2025/26–2029/30 sets out a comprehensive framework for managing the Council’s finances over the next five years. It aims to ensure financial sustainability while aligning resources with the Council’s strategic priorities, as defined in the Local Outcome Improvement Plan (LOIP) and the “Be the Future” Target Operating Model and Transformation Programme.

### **Strategic Context and Challenges**

Clackmannanshire is Scotland’s smallest mainland council by population, facing significant socio-economic challenges including high deprivation, low job density, and increasing service demand. The Council’s strategic vision focuses on building a wellbeing economy, reducing inequality, and delivering sustainable public services through innovation and collaboration.

### **Financial Position**

The Council approved a balanced budget for 2025/26 with a General Fund net revenue budget of £171 million and a capital budget of £29 million. This was achieved through £3.8 million in savings and the use of £1.7 million in reserves, reflecting a significant shift in approach which seeks to maximise permanent reductions in expenditure, maximise income and minimise the use of reserves to support financial balance. Since 2010, the Council has delivered £74 million in savings, but options for further efficiencies are increasingly limited meaning the options being considered are necessarily more radical and innovative essentially focussed on transformation in the way services are delivered in the future.

### **Medium-Term Outlook**

The Council faces a projected cumulative funding gap of £19.1 million by 2029/30, driven by inflation, pay pressures, demographic demand, and flat grant funding. Key assumptions include a 3% annual pay award, 10% annual Council Tax increases, and static government funding. The MTFS sets out a range of scenarios analysis which suggests the gap could rise as high as £47.8 million under adverse conditions.

### **Strategic Response**

To address the gap, the Council will pursue a three-pronged strategy:

- Reducing expenditure (estimated 30% reduction)
- Increasing income (estimated 20% increase)
- Transformational change (estimated 50% contribution).

This includes service redesign, digital transformation, income maximisation, and cost efficiencies. The Council is also developing a Financial Resilience Framework to enhance long-term stability which will be brought forward to Council following approval of the MTFS.

### Capital

A 20-year capital investment plan supports key infrastructure and service priorities, with borrowing managed prudently. An asset management strategy is being developed to ensure a sustainable asset base. The Council's investment priorities are carefully aligned with those activities which will contribute to delivering priority outcomes and service and financial sustainability.

### Risk Management

Risk management is embedded in governance processes, with inflation, funding volatility, pace of organisational change and workforce capacity identified as key risks.

### Governance and Engagement

Robust governance structures ensure alignment between financial planning, service delivery, and performance monitoring. The Council engages extensively with elected members, staff, trade unions, and the public to inform budget decisions and maintain transparency.

This strategy aims to be realistic and pragmatic. It seeks to build on solid and sound foundations and a positive track record of financial management to date. However, it is important to note that due to the significant work and decisions we have already taken over more than a decade, the options available to us mean that the outcomes we are seeking are not always entirely within our influence. This underlines the importance of sustaining the national lobby and engagement to identify the most effective financial levers for a small council such as Clackmannanshire. This also means that our progress will need to be carefully monitored, reported and acted upon. We will need to remain agile in seeking the solutions that sustain service and financial sustainability and allow us to deliver the services our communities need and deserve.

**Councillor Ellen Forson**  
**Leader of the Council**





## 2. Purpose and Scope of the MTFS

This Medium Term Financial Strategy (MTFS), 'the strategy' is a key planning tool that outlines how the Council intends to manage its finances over the medium term, specifically the five-year period from 2025/26 to 2029/30. The strategy serves as a bridge between the short-term annual budgets and longer-term financial planning, assisting the Council in aligning its resources with its strategic priorities while achieving financial sustainability.

The strategy covers the Council's General Fund Revenue and Capital Budgets and aims to improve the transparency of the Council's financial position to its stakeholders to achieve a shared understanding of the financial challenges it faces.

The strategy aligns with the Council's vision and priorities set out in the recently agreed Wellbeing Economy Local Outcome Improvement Plan (LOIP).

The key objectives of the strategy are as follows:

- To ensure that effective financial planning and management contributes to the Council achieving its vision and priorities as set out in the LOIP;
- To frame and define the parameters for financial decisions to be taken;
- To direct resources to the Council's priorities to support the achievement of the Council's vision and priorities;
- To maximise income to support the priorities of the council;
- To analyse budget performance to assess the effectiveness of resource allocation;
- To continue to improve value for money - managing resources as efficiently as possible; streamlining processes and systems; enhancing value from commissioning and procurement; whilst seeking to minimise the impact of budget savings on priority services; and
- To ensure the Council's finances are prudent, robust, stable and sustainable.

The strategy collates all the factors that affect the financial position of the council and its financial sustainability over the medium term, building on the information presented as part of the annual budget setting process. The Council is required to set a balanced budget and is susceptible to many external factors, namely the funding that it receives from the Scottish Government with this accounting for around 81% of its overall funding. The financial planning process relies on national and local data from which assumptions are drawn and as with any projections the longer the period, the more uncertain the estimates. Therefore, it is prudent to consider a range of scenarios showing the impact of how these variables may impact on the overall funding position. Due to the uncertainty of these variables, estimates will require to be updated when further information is known.

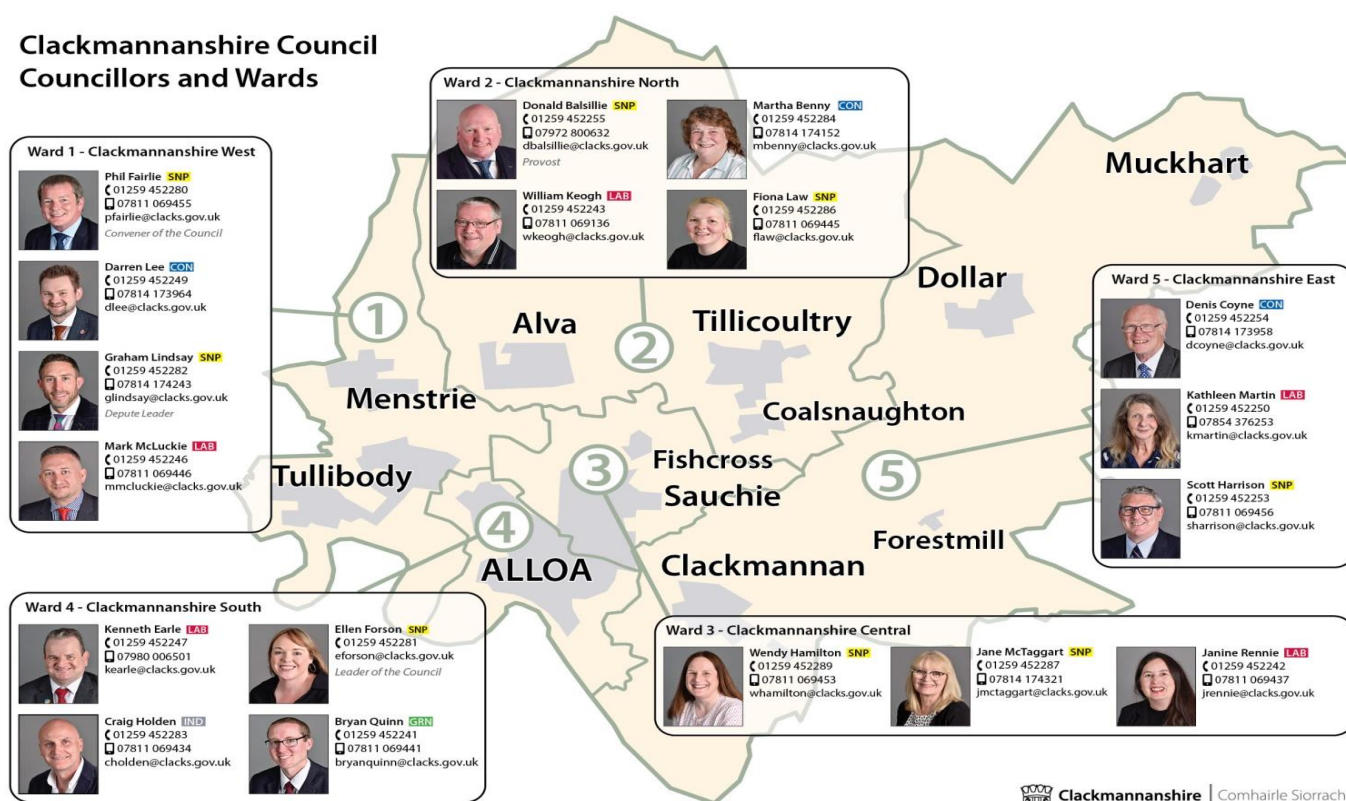
### 3. Strategic Context and Challenges

Clackmannanshire is located in Scotland's central belt, sharing administrative borders with Stirling, Perth and Kinross and Fife, and with natural boundaries provided by the Ochils and the River Forth. Clackmannanshire is the lowest populated mainland Council in Scotland, covering 61.5 square miles and serving a population of 51,800 (Scottish Government Census 2022). The Council employs 2,695 full time equivalents.

#### Political Make-up

Clackmannanshire Council consists of 5 wards, each represented by 3 or 4 elected members. The Council has 18 Councillors whose current political make-up following the local elections in May 2022 and changes to date are: 8 SNP, 5 Labour, 3 Conservative, 1 Green and 1 Independent. The Councillors for each ward are presented in the diagram below.

#### Clackmannanshire Council Councillors and Wards



For further information, contact: Members' Services, Clackmannanshire Council, Kilncraigs, Alloa, FK10 1EB  
Tel: (01259) 450000 Email: membersservices@clacks.gov.uk

**Clackmannanshire Council**  
Comhairle Siorrachd  
Chlach Mhanann  
www.clacks.gov.uk

#### Council Vision and Priorities

The Wellbeing Local Outcomes Improvement Plan (LOIP) 2024-34, approved in 2024, sets out the vision of the Community Planning Partnership - the Clackmannanshire Alliance, for the next 10 years and builds on the previous LOIP plan approved in 2017.



A central theme of this Plan is a joint commitment across partners to delivering a wellbeing economy which seeks to address the inequalities that exists in Clackmannanshire as a result of poverty and socio-economic disadvantage and improve outcomes for local communities.

The LOIP, developed by the Clackmannanshire Alliance, sets out the shared ambitions for change for Clackmannanshire over the period to 2034 under 3 key Strategic Outcomes. The plan, agreed at Council in October 2024, was developed with partners following a robust development and engagement process, which included participating in a pilot with Scottish Government on developing a wellbeing economy with Community Wealthbuilding core to that work. Whole systems mapping with the University of Sheffield was also part of this innovative approach to robust data led decision making.

The refreshed Wellbeing LOIP sets out the shared commitment to reducing inequality through effective partnership working to secure better outcomes for Clackmannanshire. In developing the LOIP, the Alliance chose to focus its collective efforts on a core set of priorities based on a sound understanding of local need and circumstances. Each strategic outcome is supported by 3 key priorities, with a set of early activities outlined for immediate focus. The vision, outcomes and priorities contained in the LOIP is set out below:

### **Our vision:**



**Working together to reduce inequality and improve the wellbeing of all people in Clackmannanshire**

### **Our Strategic Outcomes**



**Wellbeing:** Working in partnership we will: reduce inequality, tackle the causes and effects of poverty and health inequality and support people of all ages to enjoy healthy and thriving lives



**Economy and Skills:** Working in partnership we will: help people to access fair work, learning and training; and will work together to build a strong local economy



**Places:** Working in partnership and with communities we will: create sustainable and thriving places where people have a sense of connection and have control over decisions.

## Our Priority Themes for a Wellbeing Economy

Wellbeing	Economy & Skills	Places
<ul style="list-style-type: none"><li>• Physical and Mental Health &amp; Wellbeing</li><li>• Outcomes for Young People</li><li>• Poverty</li></ul>	<ul style="list-style-type: none"><li>• Labour Market &amp; Fair Work</li><li>• Economic Opportunities</li></ul>	<ul style="list-style-type: none"><li>• Sustainable Places</li><li>• Environmental Sustainability</li></ul>

The LOIP is a key strategic plan for the Council, working alongside our partners, to improve outcomes for our communities. Each partner is committed to the priorities and to reflecting these commitments through their own strategic plans. The Clackmannanshire Alliance has agreed to an early action to review its structures and operating arrangements and has participated in a national self-assessment exercise led by the Improvement Service.

More information on the Councils Local Outcome Improvement Plan and Community Planning more generally can be found here: [www.clacks.uk.uk/communityplanning](http://www.clacks.uk.uk/communityplanning)

### **The Corporate Plan**

Following a Council decision in June 2023, the Councils Corporate Plan has been replaced by a streamlined performance management framework with greater emphasis on Be the Future programme priorities, the Target Operating Model, business plans and the LOIP. As a result, an annual statement of priorities is published each year which sets the high level strategic priorities for the coming year. This remains focussed on the long term vision and outcomes of the Council which is shaped on sustainable growth; health and wellbeing and empowering communities. The Councils values remain a key focus, as does implementation of robust performance and risk management approaches.

### **‘Be The Future’**

The Councils Be the Future Transformation Programme approved in 2019, has provided the framework for shaping Council priorities, investment and delivery. It focuses on three key themes:

- Sustainable Inclusive Growth;

- Empowering Families and Communities, and
- Health and Wellbeing.

Over the last five years there has been considerable investment in creating the conditions which allows the Council to set out ambitious longer term plans to transform the way in which public services are delivered in Clackmannanshire. These ambitions are integrated with the development of our longer term financial planning approach which took a significant step forward in 2021/22 with the establishment of a 20 year capital budget, organised around the Council's Be the Future Programme priorities. This plan is reviewed annually and the revised plan was approved as part of the 2025/26 budget process. The plan will continue to be reviewed going forward on an annual basis as part of a rolling 20 year plan.

### **'Be the Future' – Corporate Values**

<b>Values</b>	<b>Descriptor</b>
<b>Be the Customer</b>	Listen to our customers; communicate honestly and with respect and integrity.
<b>Be the Team</b>	Respect each other and work collectively for the common good.
<b>Be the Leader</b>	Make things happen, focusing always on our vision and outcomes, and deliver high standards of people leadership and corporate governance.
<b>Be the Collaborator</b>	Work collaboratively with our partners and communities to deliver our vision and outcomes.
<b>Be the Innovator</b>	Look outwardly, be proactive about improvement and strive always for innovation and inclusive growth.
<b>Be the Future</b>	Work always towards ensuring that we deliver our vision and live our values, so that we become a valued, responsive Council with a reputation for innovation and creativity.

The Be the Future Target Operating Model is shaped around seven main Transformation Activity/Themes: Digital & Data Transformation, Workforce Strategy, Asset Strategy, Communication and Engagement Model, Investment Strategy, Family Wellbeing Partnership and Place Redesign as set out in the diagram below. The top three priorities of: Digital and Data Transformation, Workforce Strategy and Asset Strategy were agreed by Council in October 2024.

# Be the Future Target Operating Model: Corporate Priorities 2025/26

Organisational transformation and the TOM places the needs of residents, communities, service users and businesses at the heart of Council decision-making and underpins our corporate priorities

## Transformation Activity/Themes

### Digital and Data Transformation \*

- Further embed M365 functionality
- Social Work IT system (SWITS)
- Customer Services Hub
- Housing and Property IT system
- App pipeline projects
- Enhance data management and utilisation, and ensure data-driven decision making

### Workforce Strategy \*

- Continued focus on future workforce needs-skills, numbers and culture
- Continue to embed consistent leadership skills and approaches including governance and performance management
- Develop skills development pathways
- Map current 'as is' commissioning capacity and capability and develop 'to be' options

### Asset Strategy \*

- Sustainable asset base
- Learning estate review
- Surplus assets
- Income generation proposals
- Carbon reduction and net zero
- Community Asset Transfers
- Partnership/co-location

\* The top three priorities as agreed by the Council in October 24

## Transformation Activity/Themes

### Communication and Engagement Model

- Resilient and future-focus model of internal and external communications
- Clear engagement mechanisms that promote participation and local leadership

### Investment Strategy

- Recruit skilled/expert resource
- Develop implementation plan
- Develop revenue investment proposition to complement existing capital investment priorities

### Family Wellbeing Partnership

- Tackling Poverty – Individuals and communities get the support they need at time/point of need
- Values Based Leadership/ Culture Change – promote positive culture first model and design for people's needs
- Collaborative Community Models – shift to early intervention and prevention, moving staffing and resources closer to communities. Pooling of funding sources and support activities
- Sustainable Transport – resilient local transport, carbon reduction and net zero, regional opportunities, partnership opportunities, consolidate/pooling opportunities

### Place Redesign

- Map current design and structure of full range of services cross Place directorate
- Review capacity and skills
- Review deployment of capacity and skills
- Identify potential options for future design

Theme  
colour key

Sustainable Growth

Empowering Families  
and Communities

Health and Wellbeing

## **Best Value**

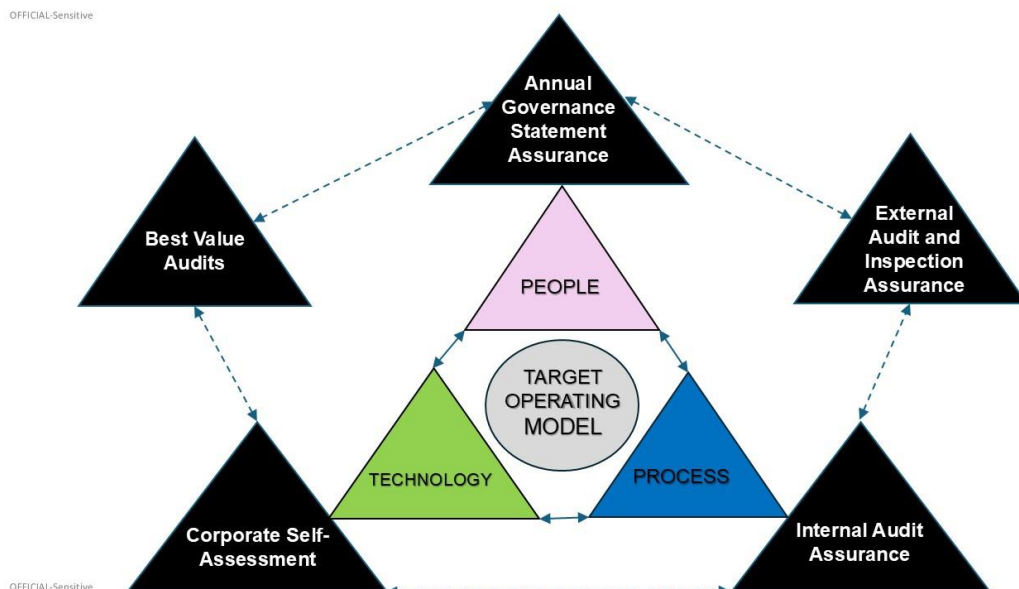
The statutory Best Value report, published by the Accounts Commission in September 2024, commended the progress made by Clackmannanshire Council since previous Best Value reports in 2018 and 2019 noting in particular: priority setting, performance management and scrutiny, budget development, community engagement and empowerment, equalities and climate change. The report also recognised the ongoing challenges the Council faces in the ability to deliver financial sustainability as well as issues regarding capacity, recruitment and resilience. The Commission welcomed the steps the Council has taken to develop its transformation programme. Four recommendations were identified, and an actioned plan was developed and approved by Council in November 2024. The four recommendations were:

- the leadership (both political and officer) has been effective in setting clear priorities; it now needs to ensure it has the capacity and capability to deliver them;
- the Council should urgently develop a medium-term financial strategy to set out how it intends to achieve financial sustainability;
- it is critical that the Council develops detailed plans at pace, with robust benefits realisation tools to demonstrate that it is achieving its intended outcomes, and
- the Council should review its capital budget setting and monitoring arrangements to ensure it sets realistic budgets with clear timelines and a clear linkage to Council priorities.

The Council is making good progress against these actions and has developed a Best Value eco-system. The eco-system, as outlined in the undernoted diagram, reflects current key approaches that are in place to support the Councils best value requirements. The eco-system is organic and will adapt as we respond to changing influences.

## **Best Value Eco-System**

OFFICIAL-Sensitive





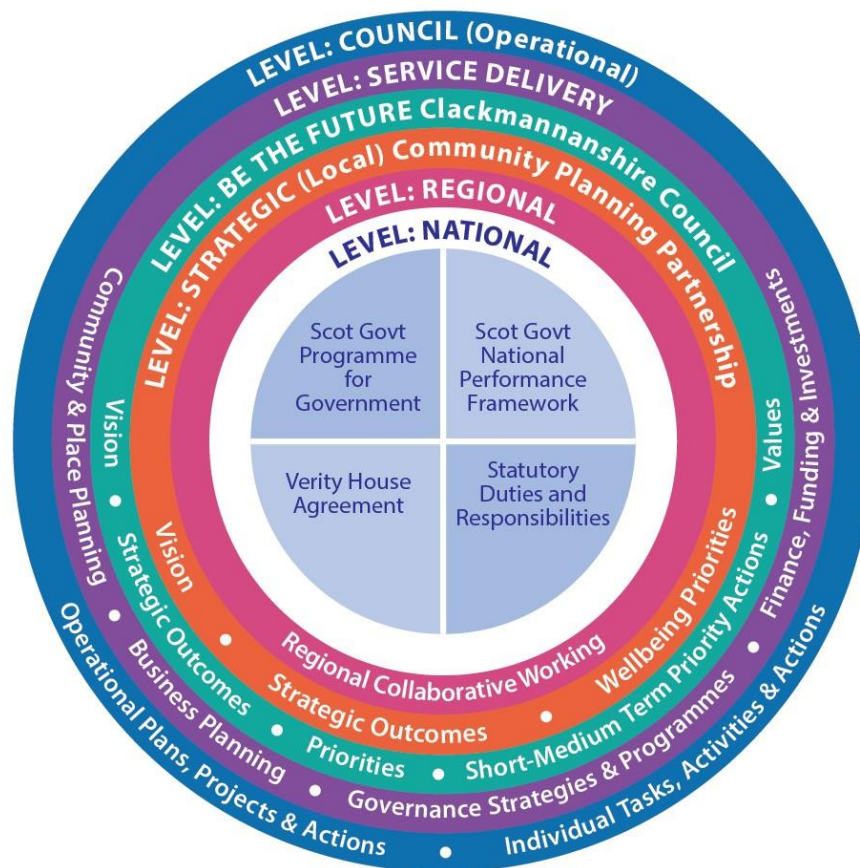
## Performance

### Performance Management Framework

The context in which the Council operates is ever-changing and as context changes, it is important that the Council is able to change with them, to make sure it is doing everything it can to improve the quality of life for our citizens and to make Clackmannanshire a better place to live and work.

The undernoted diagram captures the key approaches that influence or direct how we, Clackmannanshire Council, fulfil our statutory Best Value requirements.

### Draft Corporate Performance Management Framework



The Council monitors, measures and reports on its performance in a number of ways, including:

- annual reporting of the Local Government Benchmarking Framework and Statutory Performance Indicators to the Audit & Scrutiny Committee;
- Public Performance Reporting of plans and reports on Council performance on [www.clacks.gov.uk](http://www.clacks.gov.uk)
- annual reviews of Local Outcome Improvement Plan (LOIP), and key partnership plans and strategies, which is scrutinised by both the Alliance and the Audit & Scrutiny Committee;

- progress of the Council's Be the Future Transformation programme, including stated annual priorities, through update reports to Council and Be the Future Programme Board and Strategic Oversight Group;
- annually publishing of Directorate business and workforce plans
- biannual reporting of Directorate performance and risks to the Audit & Scrutiny Committee;
- reporting on financial and procurement performance including financial outturns to Audit and Scrutiny Committee;
- quarterly reporting of corporate risks to the Audit & Scrutiny Committee including a review of the Statement of Preparedness and Community Risk register;
- annual reporting on the Annual Governance Statement and assessment on progress relating to the Councils local code of governance, and
- annual reporting on complaints handling.

### **Self-Assessment**

As part of our wider performance management framework, and our commitments to demonstrating best value and continuous improvement, the Council implemented a self-assessment approach in 2024. Our ambition is to create an integrated best value eco-system, consolidating a number of plans and improvement actions into one streamlined improvement process which can be easily managed across all service areas. An early commitment to this eco-system approach has been to integrate our embedded Annual Governance Statement and review of our Local code of Governance approach with a revised and refreshed corporate self-assessment approach.

In the Summer of 2024, senior managers participated in a facilitated self-assessment process working alongside the Improvement Service. Three key areas for improvement were identified through this approach and agreed at Senior Leadership Team. In addition, the Community Planning Partnership in Clackmannanshire, in partnership with the Improvement Service. has also participated in a facilitated self-assessment process.

### **Local Government Benchmarking Framework (LGBF)**

The LGBF forms part of Councils' statutory Public Performance Reporting duties, comprising a set of performance indicators to encourage shared learning and continuous improvement. Data for all local authorities is available on the Improvement Services website on a Public Dashboard. In addition to Best Value, Councils must report on 'Improving local services and local outcomes'. The LGBF are augmented with Scottish Public Health Observatory (ScotPHO) datasets to ensure appropriate coverage across all priorities in the annual Corporate Performance Report.

### **Legislative and Regulatory Context**

The Council is a statutory body established under various Acts of the Scottish Parliament. Its core responsibilities and governance structures are shaped by key legislation, including:

- The Local Government (Scotland) Act 1973 – Establishes the basic structure and functions of local government.
- The Local Government in Scotland Act 2003 – Introduces the duty of Best Value, requiring councils to deliver continuous improvement in performance while maintaining an appropriate balance between quality and cost
- The Community Empowerment (Scotland) Act 2015 – Enhances community involvement in decision-making and asset transfers.
- The Public Bodies (Joint Working) (Scotland) Act 2014 – Mandates integration of health and social care services through partnerships like the Health and Social Care Partnership (HSCP).

The Council has:

- Mandatory duties (e.g., education, childcare, adult social care, waste collection),
- Permissive powers (e.g., economic development, leisure services), and
- Regulatory responsibilities (e.g., licensing, environmental health, trading standards)

The Council is governed by elected councillors which operate through full council meetings and committees. The Council must ensure transparency, accountability, and public engagement in its operations, and are subject to oversight by bodies including the Accounts Commission and Audit Scotland.

### **Demographic, Economic and Social Trends Impacting Service Demand**

Clackmannanshire experiences a variety of significant, well-rehearsed and unique challenges, the main ones are outlined below:

We experience significant levels of demand, and complexity of need, for our 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 for Violence Against Women and Girls (VAWG) but we spend £174k on commissioned services plus further funding for the core team/services, these additional costs have required reprioritisation of funds from other areas. A further example is our Social Welfare Fund to which the Council has had to add additional funding in previous years e.g. £114k during 2023/24. A one off top up was received for 2024/25 however, there is no additional funding for 2025/26.

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, all of which contributes to significant poverty and inequality in the County.

The Council, the largest employer in the area, has staffing of 2,695 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 the Council 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 has resulted in specialist roles being diluted. Despite these challenges, the Council has been driving a significant transformation agenda, leading on innovation both locally and nationally.

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 (FOI) requests and SPSO complaints. Capacity benchmarking shows the Council to be the lowest in Scotland for almost the full range of support services (Legal, Organisational Development, Procurement, 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.

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. Examples of these pressures include:

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.
- 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.

This snapshot of the Council's context is vital in understanding the financial challenges facing the Council area which are key components of this medium-term financial strategy. Service and financial sustainability challenges facing the Council area alongside some of the priority work that is being taken forward to mitigate these challenges are set out later in this document.

### **Economic Outlook**

The economic outlook over the medium term is uncertain. Recent instability both Globally and in the UK has impacted, and continues to impact, on the Council, directly affecting the cost of goods or services or in the needs of its communities. These factors include:

- War in Ukraine
- Energy crisis
- Cost of Living Crisis
- Increased demand for services
- Recovery from COVID 19 pandemic
- High inflation
- Brexit

### **Inflation**

Inflation has a significant impact on the Councils expenditure and income, with inflation increasing the price of goods and services. Changes in the bank rate influences the rate at which the Council can borrow money to fund its capital investment and the investment returns it can achieve from interest on cash deposits.

Inflation has been volatile over the past three years with the Consumer Price Index (CPI) reaching a high of 11.1% in October 2022, falling to lows of 2.4% in September 2024 where it has fluctuated over recent months to its current rate of 3.5% at April 2025. The bank rate has also fluctuated, reaching a most recent high of 5.25% in August 2023 where it stayed for almost a year, then started to reduce again in July 2024 and is currently at 4.25% at May 2025. The bank rate is expected to reduce further to 3.5% by mid 2026 as it continues to look to bring inflation down to the Monetary Policy Committees target of 2%.

In its latest Commentary the Bank of England revised upwards its economic growth figures for 2025 and revised downwards its inflation (CPI) forecasts, by a quarter to a half of a percentage point. However, real terms annual GDP growth remains at, or just over, 1% up to 2027.

The Bank of England also undertook an analysis of the impact of recent changes in trade policy on the UK economy. While these are highly uncertain, overall these are expected to have a negative impact on both growth and inflation. The Scottish Fiscal Commission also shares similar views as a result of its own analysis.

**Employment** - the Scottish Labour market has remained positive with unemployment at 4.3%, just below the UK rate of 4.5% at May 2025. Although this is positive from an economic point of view, this along with restrictions on freedom of travel through Europe, removed through the UK's withdrawal from the European Union, adds to the recruitment challenges faced by the Council through a shortage in the labour market and high demand for specialist skills.

### **Scottish and UK Government Financial Outlook**

The majority of the Councils funding comes from Scottish Government through UK Government. Both Governments are directly impacted by the global and UK uncertainty, inflation, including wage inflation as noted above. This along with political decisions on spending priorities all add to the uncertainty of the Councils future Government Funding and the direction of its Service priorities.

The UK Government is also subject to high levels of borrowing which means there is less money available to spend on public sector services.

The table below sets out the latest fiscal forecast of Funding Growth over the next 5 years. This shows that growth is not expected to keep pace with inflation.

**Table 1: Headline economy forecasts (% growth rates) Source: SFC, Scotland's Economic and Fiscal Forecasts - May 2025**

<b>£ million (nominal terms), unless specified</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>	<b>2029-30</b>
<b>Total funding</b>	59,561	61,302	63,091	65,138	67,356
Nominal terms growth rate (per cent)	7.3	2.9	2.9	3.2	3.4
Real terms growth rate (per cent)	4.5	1.2	0.9	1.3	1.5
<b>Resource funding</b>	52,193	54,077	55,532	57,513	59,641
Nominal terms growth rate (per cent)	5.9	3.6	2.7	3.6	3.7
Real terms growth rate (per cent)	3.1	1.9	0.6	1.6	1.8
<b>Capital funding</b>	7,368	7,225	7,559	7,625	7,715
Nominal terms growth rate (per cent)	18.7	-1.9	4.6	0.9	1.2
Real terms growth rate (per cent)	15.7	-3.5	2.5	-1.1	-0.7
CPI estimates at May 2025	3.2	1.9	2.0	2.0	2.0

## **Climate Change and Net Zero Challenges**

The Council has set ambitious net zero targets:

- to achieve net zero emissions for council operations by 2040.
- to achieve area-wide net zero emissions by 2045.

These targets form part of the Councils Climate Strategy, which is set around the following key strategic Themes:

- Energy, Heat & Buildings
- Low-carbon Transport
- Waste & Circular Economy
- Biodiversity & Agriculture
- Adaptation & Planning
- Economic Development

The Council faces a number of challenges in achieving its climate and net zero targets. These include not only significant budget constraints, but also limitations in its capacity to effectively capture, manage, and analyse the data needed to inform decision-making. Additionally, implementing meaningful changes is made more difficult by the need to balance these efforts with the ongoing demands of delivering essential day-to-day services. Whilst promoting this agenda with our partners and communities.

## 4. Financial Overview

### **Summary of the Current Financial Position**

The Council approved a balanced budget for 2025/26 at its meeting on the 27 February 2025. For 2025/26 the General Fund net revenue budget is £171m and the Gross Capital Budget is £29m. As part of the budget setting, savings of £3.814m were approved, consisting of £3.171m Management Efficiencies and £0.643m Policy savings. Of the £3.814m total approved, £1.684m were cash savings which add to the gap in future years. £1.746m of reserves was also used to support the budget.

### **Clackmannanshire & Stirling Health and Social Care Partnership (HSCP)**

The Council works in Partnership with Stirling Council and NHS Forth Valley to deliver its adult social care services. This arrangement has been in place since 2016 with the Partnership delivering health and social care and support for adults and older people including support to those with mental health problems, long term physical conditions and substance misuse problems. The Partners work together to provide these services through the HSCP workforce and Third and Independent Sector partners.

The Partnership is run by the Integration Joint Board (IJB) and the IJB has responsibility for the planning, resourcing and operating services in line with the strategic plan. The IJB is primarily funded by contributions from each of the three partners and these contributions are set annually by each Partner through their budget setting process and notified to the IJB in advance of its budget setting meeting.

In recent years the Scottish Government has set out the minimum contribution that Local Authorities can make to the Partnership, with these being no less than the previous year with any additional funding included within the Local Government Settlement to be passported in addition to this amount. The Council is therefore limited in its ability to reduce the funding contribution that it makes to the Partnership and as the contribution is around 18% of the Councils overall revenue budget, it also limits the net expenditure that is available to the Council to make savings on.

Whilst there has been no reduction in the contribution made to the IJB by the Council, the pressures that the IJB are facing are growing beyond any increases in funding from the Scottish Government. It is the responsibility of the IJB to agree a balanced budget within the resources that it has available, and those decisions may directly or indirectly affect the Council.

The Council has in recent years made additional contributions to the IJB to mitigate the overspend in the year. However, any decision must be made on the basis of affordability balanced with the ability to fund its own services. As such, the budget gap planning assumption is that the contribution to the IJB from the Council remains static over the five year period.

## **Review of Historical Budget Performance**

Since 2010, the Council has agreed £74m of savings. When considered in the context of the current operating budget of £171m, this is a significant reduction and means inevitably that there are few, if any, non-statutory efficiencies and policy areas which the Council has not already considered or agreed.

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 and community wardens
- 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.

The Council has also has a good track record of achieving savings, averaging 80%, with the remainder being met through compensatory savings where the approved saving could no longer be met within the year.

## **Current Year Forecast and Key Financial Pressures**

With the setting of the 2025/26 budget, Elected Members were provided with additional information in the form of the Budget Context and Outlook report which was presented ahead of the Councils proposed General Fund Revenue and Capital Budgets. This report aimed to assist members to consider broader issues of financial resilience and sustainability ahead of taking its budget decisions.

The following financial pressures were identified for 2025/26 at the time the budget was set:

- Pay award for 2025/26 – the pay award for 2025/26 has not yet been agreed for 2025/26 and discussions are ongoing between Trade Unions and COLSA on behalf of 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. Any awards above the assumed 3% would

require to be funded from additional funds and would add to the budget gap in future years if not permanently funded.

- HSCP projected overspend for 2024/25. As noted above, the HSCP are projecting a £7.1m overspend for 2024/25 with an expectation that this overspend 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.
- 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 achieve financial balance 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 additional cost pressure will be passed on to the Council 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, outlined previously, means there is a risk that this demand will continue to outweigh the funding provision.
- Continuing inflationary pressures on the costs of goods and services. Inflation remains above the UK target of 2% and continues to fluctuate, in addition wage inflation is well above 2% which, along with the National Insurance increase, will most likely be passed on by providers and suppliers in the cost of their goods and services;
- 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 the Council continues to prudently manage and direct reserve balances to ensure that these support activity/Council priorities including transformation, to maintain financial sustainability and protect services.
- 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 after setting the proposed budget for 2025/26 indicates a funding shortfall of £7.4m rising to

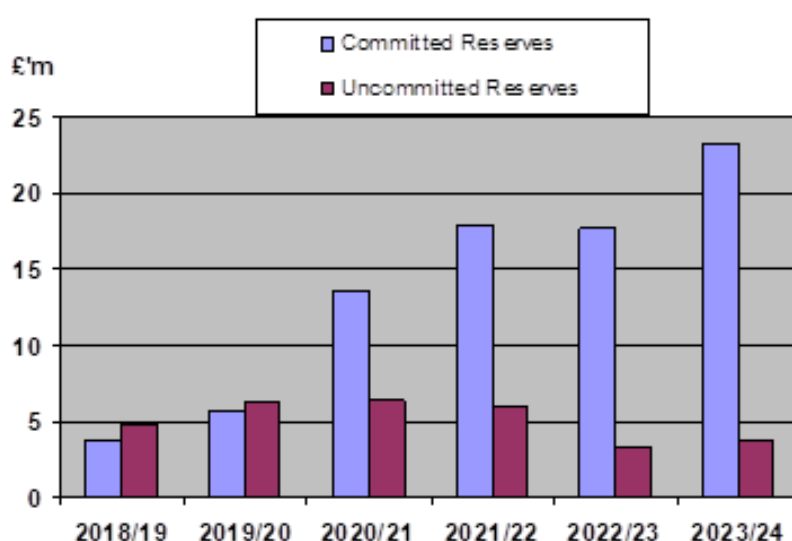


£19.1m by 2029/30. There are a number of assumptions within these indicative figures including assumption on pay inflation 3%, assumptions on interest rates for borrowing, a Council tax increase of 10% and flat cash grant funding. Any variation in these assumptions can have a significant impact on the budget gap.

## **Reserves Position**

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). The table below shows the level of committed and uncommitted reserves over the period 2018/19 to 2023/24

**Table 2 - Trend in use of reserves 2018/19 to 2023/24:**



The table shows low levels of uncommitted reserves and an increasing balance 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 required to be utilised in line with specific terms and conditions and also funds received during 2020/21 to support the pandemic recovery which have been utilised over future years.

The Council also benefited from an increase in reserves as a result of the change in accounting treatment for Service Concessions. This added £12m to General Fund reserves in 2023/24 of which £6m has been utilised to support the 2024/25 budget with the remaining balance committed during the 2025/26 budget setting process for Transformation activity and General Pressures.

These balances are reviewed as part of routine budget monitoring to ensure utilisation, increase visibility, scrutiny and transparency, and to facilitate the timely release of funds which are no longer required.



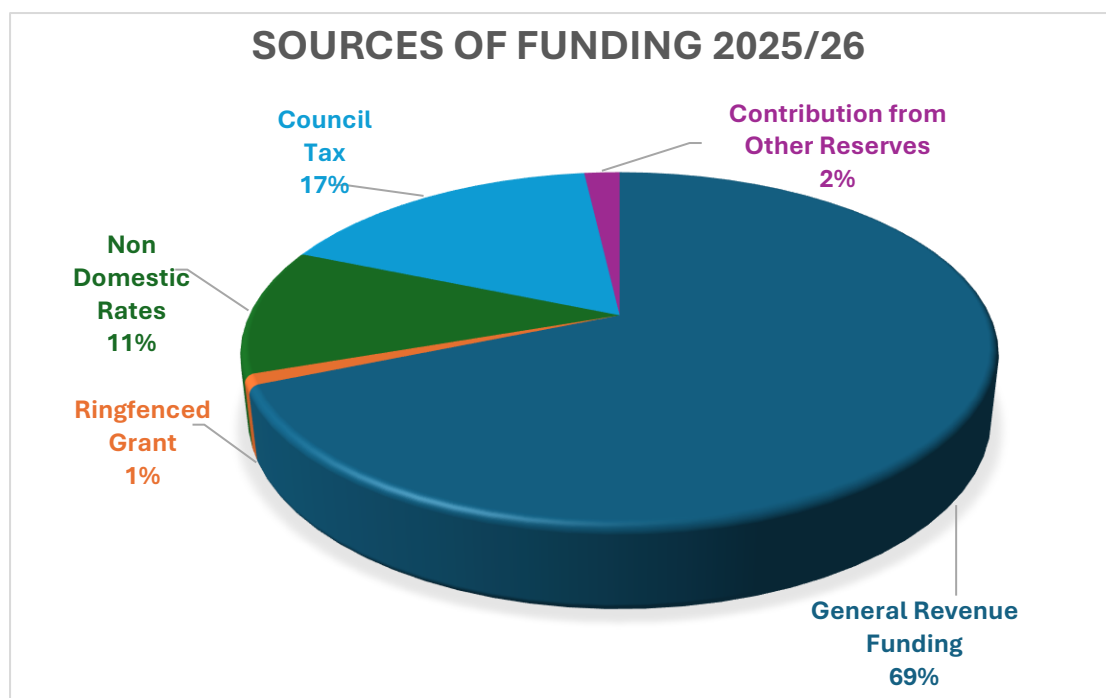
Based on the level of uncommitted reserves shown above, the Council has limited availability of funds to meet the potential pressures outlined previously should they materialise throughout the year.

## 5. Medium Term Financial Outlook (2-5 Years)

### Sources of Funding

The Councils annual budget is funded through five main categories of funding as shown in the diagram below:

**Exhibit 1 – Sources of Funding 2025/26**



### General Revenue Grant

As shown above ,exhibit 1, the Council receives the majority of its income through General Revenue Grant provided by the Scottish Government. This grant is notified annually in advance through the Local Government Settlement which thereafter goes through parliamentary process and is agreed in March each year.

### Other Government Funding Streams

In additional to the General Revenue Grant, the Scottish Government also provides funding for specific initiatives or priorities. This funding is ring-fenced and must be used for the purpose it is intended.

This funding may be in the form of a grant offer letter setting out the terms and conditions of the funding. As a result there may be a requirement for spending plans to be submitted and monitoring reports in order to show how the funds have been spent. As part of the conditions of funding, any unspent grant may be required to be returned.

## **Non-Domestic Rates**

Funding for Non-Domestic Rates makes up around 19% of the Councils total funding. Non-Domestic Rates is a pooled arrangement where the tax is set Centrally by the Scottish Government but administered and collected locally. The amount collected is paid into a central Government Pool which is then distributed by Government through the general revenue grant.

Some reliefs are managed locally at the discretion of the local authority.

## **Council Tax Income**

Council Tax income makes up around 17% of the Councils total funding. The rate of Council tax is set annually by the Council at its budget meeting in advance of the coming year.

Council Tax is calculated on the valuation band of a domestic property and the middle rate Band D is used to compare these rates across Scottish local authorities. For 2025/26 the Council increased its Council Tax by 13% equating to a Band D charge of £1,594.38, ranking it the 10th highest of all 32 Scottish Local Authorities.

The level of Council Tax is normally up to the Council to set locally and it is one of the few levers available to the Council to increase the level of funding that it receives. However, the Scottish Government can dictate the level of Council Tax, for example by implementing a council tax freeze or a cap on the amount it can be increased by, as it has done in previous years

## **Contributions From Reserves**

Alongside external funding streams, Councils can use any useable general fund reserves to support their budgets. This is one off funding that has generally been built up through underspends in previous years. Councils require to have a minimum reserves level, to ensure funding is available to meet any unseen demands during the year. Funds above this level can be used to support the budget as part of the budget setting process.

The Councils agreed minimum reserve level is to maintain reserves at 2% of budgeted net expenditure for the year. For 2025/26 that equated to £3.420m.

The use of reserves to support the budget is not sustainable. As mentioned above, reserves are one off-sources of funding and once they have been utilised they cannot be used again with the consequence being that it adds to the gap in the next financial year. The ability to generate reserves is also uncertain as surplus reserves above the minimum are created mainly through underspends which cannot be certain.

## **Key Factors Impacting Expenditure**

### **Salary Costs**

Wage inflation has steadily increased following a long term period of no inflation. Pay awards for Council staff are set through national agreements between National Trade Unions and COSLA who act on behalf of Council Leaders. Trade unions make representations for proposed rises and these are considered and an offer made. Over the past few years negotiations have continued well into the financial year making it extremely difficult to plan from a budget perspective as to that the pay award may be.

Councils generally use the Public Sector Pay Policy set by the Scottish Government as an estimate of the likely pay award for the coming year. However, past pay awards have been substantially higher than the Scottish Governments Policy, and have not always been fully funded. This, as a result, puts further pressure on the Council to find additional funding to cover these increases.

The Council has also signed up to be a living wage employer and commits to paying the Real Living Wage, currently set at £12.60 per hour. The Council also commits to paying, as a minimum, the Scottish Local Government Living Wage, to its employees which has not yet been set for 2025/26. This commitment was extended to all Modern Apprentices in April 2023 with Council agreeing the approach in October 2022.

Around 62% of the council's budget is spent on staffing costs with £106m budgeted for 2025/26. It is therefore essential that the affordability of the workforce is a key focus in ensuring the delivery of sustainable services.

The public sector pay policy, published for 2025/26 by the Scottish Government, set out a multi year pay policy that they expect to be above the 3 year average inflation rate of 7%. The policy consists of a 9% uplift covering the years 2025/26 through to 2027/28, with flexibility for employers to configure the proposals for each year within the 9% over the three years. The expectations are that Councils will negotiate multi year deals with trade unions within the parameters of the policy. As noted above, pay awards for local authority staff are negotiated and agreed between national Trade Unions and COSLA and on behalf of Council Leaders who set the conditions for any offers made. This also includes the pay award for Teachers which is negotiated separately.

### **Contractual Demand**

The Council has a number of contracts across its services that incur annual inflationary uplifts. This can be based on CPI or RPI or some other specified increase. These increases are added to the expenditure forecasts and considered through the demand pressure process as part of annual budget setting.

## **Policy Commitments**

The Scottish Government sets out its policy commitments in its programme for government. The Council is required to implement those relating to the services it delivers. For most additional commitments, or increases to existing initiatives, additional funding is identified and provided to the Council. Some recent examples include the expansion of Early Learning and Child Care hours and Free School meal provision in primary schools.

The quantum to support these policy initiatives is determined by the Scottish Government and agreement is reached on how these funds will be allocated, usually aligned to relevant data sets or in line with general revenue grant allocations. As the allocations are not based on actual costs, this means that the funding is not always sufficient to cover the full cost of fulfilling the commitment and the Council is then required to fund any shortfalls from its core revenue budget. This then impacts on the funding available for other services.

There are also a number of policy areas where Scottish Government has provided funding and this funding is predicated on meeting certain conditions. If these conditions are not met then this funding can be withdrawn or sanctions imposed. As an example, the Scottish Government provides funding for Teachers and, if the number of teachers reduces, sanctions can be applied which could result in the Council having to repay the funds.

## **Demographic Demand**

As highlighted in Section 3, Clackmannanshire experiences disproportionately high levels of demand and complex needs relative to its size. As a result, a greater share of the Council's services and funding must be directed to these areas than is covered by grant allocations. Specific areas include:

Social Care and Child Protection - high rates of domestic violence, trauma, and child protection referrals, placing intense pressure on social services and growing need for additional support services, particularly for vulnerable children and families.

Health and Wellbeing – Clackmannanshire experiences poorer health outcomes compared to national averages, with high demand for mental health and general health services and an ageing population is increasing demand for adult social care and community health services.

Education and Youth Services - Schools face challenges due to high levels of additional support needs among pupils and staffing levels in education are among the lowest in Scotland, affecting service delivery

Economic Support and Employment - Clackmannanshire has high worklessness and low job density (about two people for every job), contributing to economic hardship and there is strong demand for employment support, skills training, and economic regeneration.

Housing and Deprivation - A significant proportion of the population lives in areas with high deprivation and there is ongoing demand for affordable, energy-efficient housing and support for households in poverty.

## 6. Budget Gap Analysis

The Budget Gap is the difference between the estimated level of expenditure each year increased for inflation, demand pressures, wage inflation etc as noted above, against the funding available through Revenue Grant, Council Tax income and other sources of funding.

The gap is estimated to show how much the Council will need to reduce expenditure, or increase funding by, each year and cumulatively over the medium term.

A summary of the projected funding gap over the next 5 years is shown in the table below.

**Table 3: General Services Budget 2025/26-2029/30 Indicative Funding Gap**

	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £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
Cumulative Gap as % of Net Expenditure		4.09%	6.42%	8.34%	9.48%

*\* The figures used to calculate the indicative budget gap are based on current assumptions at this time as set out within this report.*

The table above shows that the indicative funding gap after the setting of the 2025/26 budget is £7.340m for 2026/27 and a cumulative gap of £19.132m by 2029/30. This equates to 4% of Net Expenditure in 2025/26 rising to 9.5% of Net Expenditure by 2029/30. Audit Scotland recently reported in its Briefing on 'Local Government Budgets 2025/26' that Clackmannanshire Council had the 4th largest budget gap as a percentage of net expenditure for 2025/26 (prior to setting its budget) across all Scottish Local Authorities, sitting closely below the top three Councils of Falkirk, East Dunbartonshire and Perth and Kinross.

The Council aims to manage the gap by adopting the following three approaches. The estimated percentage contribution that will be made by each of the three approaches to close the gap is also noted:

- Reducing spend - 30%,
- Increasing income - 20%,
- From transformation – 50%

The percentages are estimates based on current plans and there are clear links between them as transformation activity will aim to reduce spend and increase income in some areas. The Council will also look to reduce spend and increase income separately from the transformation activity.

With any estimates there is a risk that these percentages will not be achievable and more would need to come from one or both of the other categories if that was the case. As such future year percentage may need to be adjusted to reflect the change in the previous year with the expectation that the category that contributed less would then increase to compensate. These percentages will be amended to reflect expected benefits through transformation as these are quantified.

Further detail of how each will be taken forward are set out in Section 7.

### **Budget Gap Assumptions**

Within the budget gap are a set of assumptions that are based on best estimates at the time. The main assumptions included within the indicative budget gap scenarios for the five years to 2029/30 are set out in the table below:

**Table 4: – Budget Gap Scenario Assumptions 2025/26 – 2029/30**

<b>Variables</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>	<b>2028/29 £000</b>	<b>2029/30 £000</b>
Pay Award	3%				3%
Employers Pension Contributions	19.5%	19.5%	19.5%	19.5%	19.5%
Demand Pressures	£2.442m	£2.5m	£2.5m	£2.5m	£2.5m
Grant Funding	0%				0%



Non-Domestic Rate Income	0%				0%
Council Tax Increase	13%	10%	10%	10%	10%

Detail of each of the assumptions outlined in Table 4 are set out below:

### **Pay Award**

An increase of 3% for the pay award has been included within expenditure for 2025/26. This is in line with the Scottish Governments Public Sector Pay Policy of 9% over three years. As the Pay award has not yet been agreed for 2025/26 this is an estimate and will be updated when the pay negotiations are settled. An increase of 3% for future years has also been built into expenditure on this basis. Each 1% increase in the pay award is equivalent to approximately £1.060m and additional funding would need to be found for any increase above the assumed level in 2025/26.

As an accredited employer the Council also implements the Real Living Wage which increased to of £12.60 from 1 April 2025. The cost of this has been built into the expenditure budget. The Council also applies the Scottish Government Local Authority Living Wage which is set alongside the 2025/26 pay award. Any increases to the Scottish Government rate arising from agreed pay negotiations will be implemented accordingly from 1 April 2025.

### **Increments**

The Council uses a set of agreed pay scales for single status staff. An annual increment is paid to staff as they progress up the salary grade they are placed on. Pay grades, made up of either 3 or 4 points, were implemented as part of Single Status in 2010. The staffing budgets are built up based on existing postholders and any increments due are included within the increase to expenditure. An estimated amount based on the prior year is assumed for 2026/27 and beyond.

### **Employers Pension Contributions**

The employers pension contribution is set on a three yearly valuation carried out by the Pension Fund Actuaries. This informs the contribution rate to be paid for the following three years. The last triennial valuation was carried out in March 2023 and set the rates for the three financial years to 2026/27. The current rate for 2025/26 and 2026/27 is 19.5% following a reduction based on asset performance, a contribution rate of 19.5% is assumed beyond this period. This will be updated following the next triennial valuation as at March 2026. For each movement of 1% this increases/decreases expenditure by around £175K.

## **Demand Pressures**

The indicative gap includes an amount intended to meet inflationary increases. such as IT contracts, energy costs and care provider costs. This is initially set at £2.5m for all years. Pressures are put forward by services for consideration through the budget process. Any difference between the estimated amount and the actual bid included is adjusted within the budget gap. £2.442m were included within expenditure for 2025/26.

Due to increased inflation over the last 3 years, the estimated figure of £2.5m is only expected to offset Contract Inflation with these bids taking priority, however, the Council recognises that there are non-contractual pressures that it may need to increase expenditure for such as demographic changes, legislative, policy or statutory changes. These can include increases or decreases in loan charges which is the revenue cost of borrowing. General demand pressures not approved, including increasing demands on services, would need to be met through additional savings.

## **General Revenue Grant**

There has been an increase in General Fund grant in financial year 2025/26 to support additional and existing priorities including support for the recurring cost of the 2024/25 pay award. However, funding for core services is not sufficient to meet rising costs. The current assumption for future years is that funding will remain static and no increase or decrease has been built into the budget gap. However, it is recognised that this position is extremely uncertain as the UK and Scottish Government experience financial impacts both Globally and within the UK.

Updates are provided through the Spending Review, the UK Autumn Budget, the Scottish Budget, and subsequently the Draft Settlement. Other Scottish Government Funding/ Ring-fenced funding

Other income received from the Scottish Government, that does not form part of the general revenue grant, as it is usually ringfenced for specific priorities, is forecast to remain the same. Information as to fluctuations in this funding are normally notified through the draft Local Government Settlement and will be updated when that received. As it is linked to specific activities expenditure will be reduced in those areas if funding is reduced or withdrawn. Two examples of funding of this nature that the Council receives relates to Criminal Justice and Pupil Equity Funding (PEF).

## **Non-Domestic Rates Income**

The income received from the Scottish Government for Non-Domestic Rates is forecasted to remain the same at £19.8m across the medium term. In practice this will fluctuate based on the level of charges which are set by the Scottish Government annually, the rateable values of Domestic properties within Clackmannanshire and the reliefs applied. However, as this amount is adjusted in the General Revenue Grant there is nil impact between Non-Domestic Rate Income and General Revenue Grant.

## **Council Tax Income**

Each 1% increase in Council tax equates to approximately £255k. An increase in the Council Tax charge of 13% was agreed for 2025/26 which equated to an additional £3.321m of income and total income of £28.868m. An increase of 10% has been built into the gap for 2026/27 and future years, generating around £2.9m of additional income each year. The actual rate of Council Tax is decided by elected members as part of the approval of the annual budget but may be subject to a cap or freeze as directed by the Scottish Government.

Along with the key assumptions set out above, there are a number of additional assumptions and adjustments on income and expenditure built into the funding gap worth noting.

## **Fees and Charges**

Income from fees and charges is offset against net expenditure. The Council sets a standard increase in prices as part of the annual budget setting. This is normally in line with inflation within the second and third quarters of the year. The budget gap does not include any increases in income other than those where a specific savings proposal is approved i.e. where there is a new service being charged for or if there is a specific increase in the income budget above the current budget.

The Fees and Charges strategy is updated annually and approved alongside the budget. The strategy details the standard inflationary increase along with any exceptions to this increase. Exceptions occur for services that are not delivered by the Council, are set by statute or where the service have considered other factors such as the elasticity of demand or the impact on specific groups and therefore deemed it not appropriate to increase the charges by the standard amount.

## **Other Funding – Reserves**

Councils can use uncommitted useable general fund reserves to assist in setting the budget. These reserves are one-off sources of funding and are reversed out the following year, adding to the budget gap. For 2025/26, £1.746m of one-off reserves was used to support the revenue budget. This then adds to the gap in 2026/27. Table 2 above shows the level of one-off reserves that have been used over the last few years to support the budget.

As noted, the Council must keep a minimum of 2% of its net budget in uncommitted reserves to ensure there is funding to support any unforeseen financial pressures during the year.

These assumptions are based on estimates at the time and as such these are likely to fluctuate and become more uncertain the longer the view.

## Reversal of Cash savings

The expenditure budget is also adjusted each year for the removal of any cash savings approved in the previous year. As these are one year savings, the expenditure budget is reinstated back to the level before the saving was taken. Included within the savings for 2025/26 were cash savings of £1.684m.

## Sensitivity and Scenario Analysis for Key Assumptions

There is a significant level of uncertainty over a number of the elements within the funding gap that have the potential to positively or negatively impact the Council's financial performance and budget strategy. Due to the uncertainty around each of the assumptions, Low, Medium and High Scenarios have been prepared which reflect possible scenarios and these are presented in the tables below.

In these scenarios the indicative gap for 2025/26 ranges from £0m to £2.169m with a cumulative indicative gap of between £13.768m and £47.811m over the next 5 years. As the budget for 2025/26 has already been set, only those remaining uncertainties such as Pay remain.

**Table 5: General Services Budget - Indicative funding gap Low, Medium & High Scenarios**

<b>Annual Indicative Funding Gap</b>	<b>Current £000</b>	<b>Low £000</b>	<b>Medium £000</b>	<b>High £000</b>
2025/26	-	-	1,084	2,169
2026/27	7,340	6,065	9,601	13,509
2027/28	4,663	3,300	6,924	11,444
2028/29	4,230	2,867	6,491	11,011
2029/30	2,899	1,536	5,160	9,680
<b>Cumulative Indicative Funding Gap</b>	<b>19,132</b>	<b>13,768</b>	<b>29,259</b>	<b>47,811</b>

The main assumptions included within the indicative budget gap scenarios for each of the 5 years from 2025/26 are set out in the table below. All of the assumptions remain the same across each of the 5 years with the exception of the Employers Pension Contribution as the rate is confirmed until 2026/27:

**Table 6: – Budget Gap Scenario Assumptions 2025/26 to 2029/30**

<b>Variables</b>	<b>1% Value £ (based on 2025/26)</b>	<b>Current</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>
Pay Award	£1.084m	3%			5%
Employers Pension Contribution (from 2027/28 only)	£0.175m	19.5%	19%	19.5%	23%
Demand Pressures	£0.250m	£2.5m	£2m	£2.5m	£3m
Grant Funding	£1.130m	0%			-5%
Council Tax Increase	£0.255m	10%	15%	10%	8%

Non-domestic rate income and Other Grants/ringfenced grants have been excluded from the sensitivity analysis as any fluctuation would be offset by an equal fluctuation in general revenue grant or a reduction/increase in delivery of a specific service or activity associated with the grant funding.

## 7. Financial Sustainability and Strategy

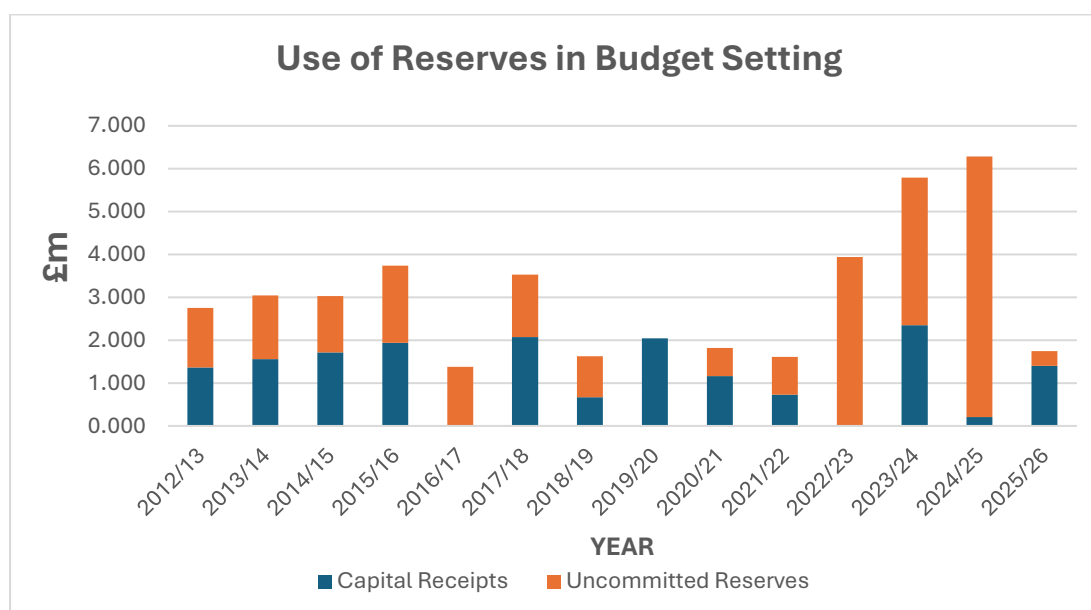
In order to be sustainable, the Council needs to make permanent changes to its income and expenditure, whether that be reducing expenditure or increasing income.

### Reserves

The Council in the past has also used reserves to support the budget setting process and close the funding gap. 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 (2025/26), the Council utilised £1.8m of one-off uncommitted reserves including capital receipts to offset loans charges. Exhibit 2 below shows the use of reserves in setting the Councils annual budget since 2012/13 that have been applied to protect service delivery. The much lower level of reserves utilised in 2025/26 reflects that this is not a sustained approach, however, this presents a challenge due to the savings that have already been made.

#### **Exhibit 2 – Use of Reserves in Budget Setting**



The use of one-off reserves to deliver financial balance is clearly not a sustainable strategy for the Council and the Council needs to ensure ways of reducing its expenditure and increasing its income on a permanent basis to ensure financial sustainability over the medium to long term.

## **Budget Strategy**

The budget strategy for the year is set out by the Chief Financial Officer and this is agreed by Council. The strategy sets out the budget approach which will be followed including a timeline of key activities and milestones. These include timescales for updating Elected Members and Trade Unions on progress.

The Budget approach for 2025/26 follows a similar process to previous years with a Budget Working Group consisting of the Chief Executive, Directors, the Chief Finance Officer, the Chief Accountant and the Senior Manager for Capital and Transform. Meetings are held on a monthly basis or more frequently as required.

The Budget Working Group is also supported by a Capital Operations Group that is made up of officers with responsibility for Capital Projects. This group monitors progress of projects against budget and plays a key role in the review of the any new capital project bids and rephasing of the 20 year programme. More detail of the Capital Programme is provided in section 8.

Three Budget Challenge Sessions are also held during the year for each of the Directorates. These are attended by members of the Budget Working Group along with the relevant Senior Managers for each Directorate.

As noted in section 6 the Council is adopting three key approaches to reducing the funding gap:

- Reduce spend;
- Increase income, and
- Transformational Change

Further detail of the three approaches to close the funding gap are detailed below:

### **Reduce Spend**

The key areas of focus under this theme are:

- **The well-established budget preparation process which leads to portfolio and cross-cutting savings proposals;**
- **Key areas of routine review to identify the opportunity to reduce spend, and**
- **Lobby and awareness raising with Scottish Government, COSLA, External Audit and Audit Scotland and Accounts Commission**

Throughout the year, officers identify savings proposals for their areas. These savings proposals are considered at the three budget challenge sessions. Savings proposals focus on reducing spend within services through service reduction or cessation.



The Council does not include efficiency targets within its budget savings. All savings proposals are required to be supported by a business case detailing the impact of the saving which includes impact on statutory services, equality impacts and risk. Savings are verified by finance to ensure viability before inclusion in the budget proposals.

Savings proposals can be permanent reductions in expenditure or increases in income or temporary one year reductions/increases, known as cash savings and are reversed the following year. As part of the saving identification process cash savings are reviewed to confirm whether they can be converted to permanent savings or can continue as cash savings the following year. If they are viable as either cash or permanent savings they will form part of the proposals for the budget setting process.

Savings are categorised into either Policy Savings – those that change the level of service provision or cease a service provision, or Management Efficiency savings – those savings that do not change the way a service is delivered and can be done under delegation.

Key areas where services look to reduce spend:

- Staffing reductions: staffing costs make up around 62% of the Councils overall budget. The Council has implemented a number of Voluntary severance schemes over the years inviting staff that may wish to leave the Council to come forward. Where applications are agreed the post is then removed. Services can identify areas where they no longer require the same level of staffing by reducing or changing the way they deliver services which can lead to staff being offered Targeted Voluntary Redundancy.
- Stopping or reducing services – where a service is not statutory services can look to reduce or stop delivery. This can give rise to operational savings on staffing, and related savings on closure of buildings etc.
- Reduce Service Level Provision: services can look to reduce the level of service standard provided for example reducing opening hours of facilities, increase response times, increase time between waste collections etc. This can apply to both statutory and non-statutory services as the function is still being delivered, just at a lower level.
- Reduce support functions: services can look to reduce back office services/introduce self service or de centralise functions to free up resources within the centre.
- Renegotiate contracts: As contracts reach their renewal point, services may review the existing provision. A procurement process can be undertaken to test the market and identify whether alternative suppliers can deliver the required quality of service at a lower cost.
- Review legacy budgets: as part of the annual budget process services will review their budgets and previous years spend to identify if there are areas of spend that are no longer required and the budget can be removed.

- Alternate delivery models/ service redesign including public, private, voluntary and third sector models focussed on collaboration and maximising the participation of our communities and service users and increasing potential for access to non-LG funding streams.

### **Lobby and Awareness Raising**

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 month, this focus, and our activity, has been sharpened in this area. The detailed work submitted to Scottish Government as part of pre-Budget engagement has been helpful in securing an enhanced settlement for Scottish Local Government, including Clackmannanshire Council, in the 2025/26 Scottish Budget.

Notwithstanding this progress, it should be noted that the improved settlement position did not address the underlying challenges faced by Clackmannanshire Council of increasing demand, complexity of demand, lack of financial flexibilities available to small councils and funding distribution.

It remains a priority of this strategy that the external stakeholder dialogue continues with a particular emphasis on promoting better awareness and understanding of the lack of 'levers' available to small councils who do not receive the benefit of economies of scale in a distribution mechanism which remains largely population drive. To this end, discussions with COSLA on potential solutions for the future are being taken forward.

### **Increase Income**

**The key areas of focus under this theme are:**

- **Council Tax income**
- **Fees and Charges**
- **Investment Strategy including leverage of non-financial resource**
- **Maximising Grant income**

Maximisation of grant/ income is as important as minimising expenditure whilst delivering improved outcomes. Through the budget setting process, services look to identify ways in which they can increase their income. This may include increasing Council Tax or fees and charges for services, adding additional services to be charged for or generating income through other means.

## **Council Tax**

As noted in section three, the Council has the ability to generate income through the administration of Council Tax. The level of Council Tax is a local decision taken by Elected Members as part of the annual budget setting, however, the Scottish Government can impose a cap on the increase or a complete freeze.

For Clackmannanshire a 1% rise in Council tax equates to an additional £255k of income. In order to close the funding gap of £7.340m for 26/27, the Council tax would need to be increased by 28.8% taking the total increase in the year to 38.8%. If the 30% increase in income estimate per the approach to closing the gap then Council Tax would need to generate £2.2m in additional income, an increase of 8.6% over and above the 10% increase already assumed taking the increase in the year to 18.6% overall. The 10% assumption is for illustrative purposes as this will be determined as part of setting the budget, however, we are working towards setting Council Tax rates relative to the crystallisation of benefits of the work through Transformation.

## **Fees and Charges**

Clackmannanshire Council has a statutory duty to provide certain services to the public. There are no charges for these services except where charges are set by statute. (e.g. planning applications, building control, licensing).

The Council also provides other discretionary services, some of which are provided at a cost to the customer. These discretionary services are primarily provided on a full cost recovery basis to ensure that all costs are covered by the charges made.

However, when setting the fees and charges, consideration is given to the ability of those in receipt of services to pay the proposed rates. Consideration is also given to the competitive environment in which services operate. The Council will benchmark the charges it makes against other Scottish Councils to ensure fees and charges are reasonable and affordable. Where a benchmark doesn't exist, a commercial rate may be used to set the rate.

Fees and charges are reviewed on an annual basis as part of the budget setting process but may be subject to changes in-year. An annual increase in all charges is applied using an appropriate CPI indicator. Any exceptions to this increase are noted in the Income and Charging strategy included within the budget.

Where an increase in the fees or charges expects additional income to be raised, this is included as a Management Efficiency saving within the proposed budget.

If a new service is implemented and is being charged for, this will be included within the Policy savings proposals requiring a decision of Council to increase the fee.

As part of the strategy to close the gap, services look to identify new income streams. Previous examples have been to implement a charge for Brown Bins collection, deliver Health and Safety training out with the Council and to offer design services externally.

Further potential income streams are currently being explored which will contribute to the estimated additional income in line with the strategy.

### **Investment Strategy**

Clackmannanshire's Investment Strategy, approved in March 2023, is currently being reviewed and updated. This presents an opportunity to align the Strategy more closely with the Council's wider transformation ambitions. 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.

The Council has also 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 work will be further developed during 2025/26 and reported to the Be the Future Board and Council.

### **Maximising General Grant Income**

It is important that Council is assured that the General Revenue 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 the Council accurately maximising access to the funding available.

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.

Once the internal review has been completed it is intended to engage with practitioner leads within Scottish Government to review any findings/ impacts.

## **Service Transformation and Redesign**

The key areas of focus under this theme are:

- **Be the Future TOM and Transformation Programme**
- **Partnership and Collaboration**
- **Alternate delivery models/service redesign**
- **Prevention and early Intervention**
- **Digital and Data transformation**

### **Be the Future – Target Operating Model and Transformation Programme**

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 and the Target Operating Model (TOM) as set out in section 3.

The Council's Be the Future programme has significant cross-party support and has been a unifying ambition for officers and members. The Target Operating Model (TOM) was formed around the three principal areas of People, Process and Technology and the seven agreed activities/themes, three of which have been prioritised for 2025/26: Digital and Data, Workforce Strategy and Asset management. These activities/themes constitute the 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 Scottish Government, Hunter Foundation and Columba 1400 as part of our work on the Family Wellbeing Partnership.

### **Partnership and Collaboration**

The Council has a long history of partnership working and collaborations and it is widely known for proactivity in respect of partnership work and collaboration. Clackmannanshire Council was previously 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 Council led on the Regional Improvement Collaborative with Falkirk, Stirling and West Lothian Councils for four years until funding ended.

A range of partnership arrangements are currently 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

This strategy seeks to build on the foundations of this range of effective partnership arrangements and to maximise the potential of our relationships and networks. A key strand of activity is work currently being taken forward as Discovery Phase options appraisal with Falkirk Council.

This work will identify a range of potential options for new service delivery models on a collaborative basis. This work is being facilitated by Price Waterhouse Coopers (PwC), and Clackmannanshire Council, together with Falkirk Council, have submitted a Joint Bid to the Scottish Government's Invest to Save Fund to support the delivery of any options agreed, which would be delivered in a potential Phase 2.

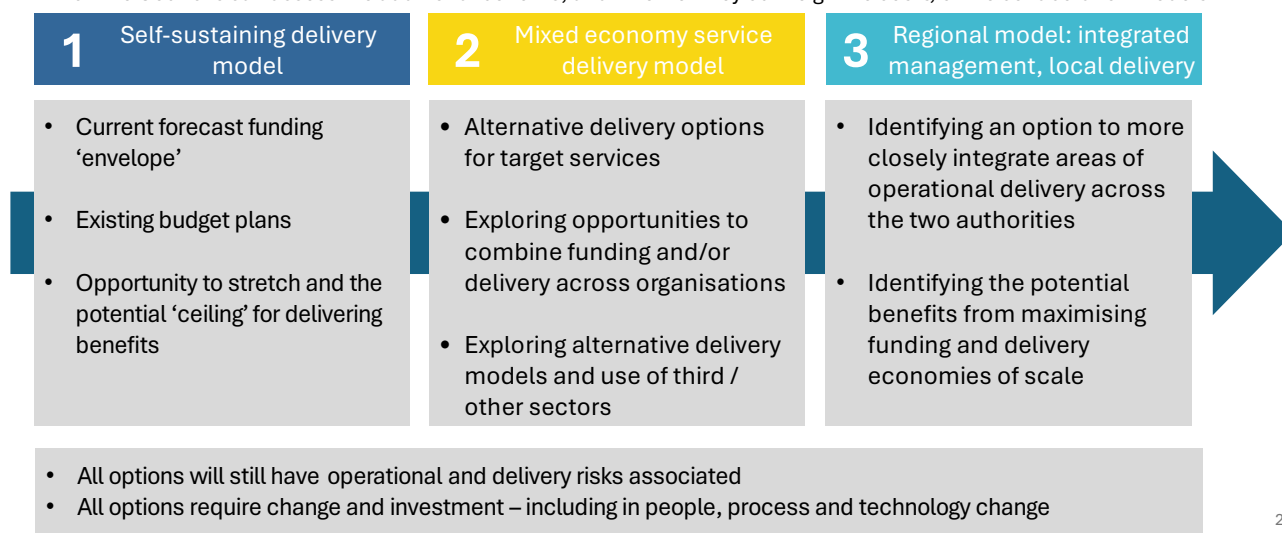
The Discovery Phase work is due to report in June/ July 2025. It is planned to submit joint reports to each Council in the October Council cycle on any potential new models for Phase 2 with a strong emphasis on both delivering financial sustainability and supporting Public Sector Reform. Some of the Councils' strategic partners have also expressed an interest in considering the opportunity that may exist for wider collaboration once specific proposals have been developed.

The three options being considered for collaboration are set out Exhibit 3 below.

## Exhibit 3 – Collaboration Options

### Understanding the options for collaboration

The discussions around vision and ambition at both a council-wide level and for each directorate were focused around three options; a self-sustaining delivery model, a mixed economy delivery model and a regional model with integrated management and local delivery. These options help to provide a consistent structure and framework for the potential collaboration opportunities to be explored across Directorates. The 'self-sustaining' model is effectively the baseline from which the Councils can assess the additional benefits, and whether they outweigh the costs, of the collaboration models.



Additionally, there is a related strand of activity to redesign the Council's (internal) Target Operating Model which has also commenced with facilitation by PwC and is aiming to contribute to the Council's 2026/27 Budget setting process and incorporates a review of organisational design and operational structures for the future (linked to our ongoing transformation activity).

### Alternate Delivery Models/Service Redesign

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.

### Prevention and Early Intervention

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.



## **Digital and Data Transformation**

The Council has developed a 5 year Digital and Data Transformation roadmap which sets out a plan to modernise services, focusing on people, communities, and smarter ways of working. Key priorities include improving data use, expanding automation and AI, and building a modern digital workplace. The plan aims to support better decision-making through data insights, strengthening strategic partnerships and empowering communities with tools like citizen data portals and online platforms for community engagement. Over time, the council aims to create a more connected, efficient, and innovative organisation that delivers better outcomes for residents.

Included within the plan is a Data Insights project which aims to improve how we manage, understand, and use data across the Council. The project will focus on helping the Council make better use of data to support decision-making and improve outcomes for our communities. Over the next year, we will roll out the Business Intelligence tool - Power BI, to all our Service Areas, enabling more efficient reporting. We are also looking to launch a new Clackmannanshire Data Platform to give Elected Members, staff, and partners easier access to key local insights. In parallel, we will strengthen collaboration with our partners through improved data sharing, helping to build a more joined-up picture of our communities and the services they rely on.

By improving our data foundations, we are also laying the groundwork for wider opportunities such as automation and the responsible use of artificial intelligence.

## Exhibit 4 – Digital and Transformation Roadmap

OFFICIAL-Non Sensitive

### Digital Transformation 5 Year Roadmap



Clackmannanshire  
Council  
www.clacks.gov.uk

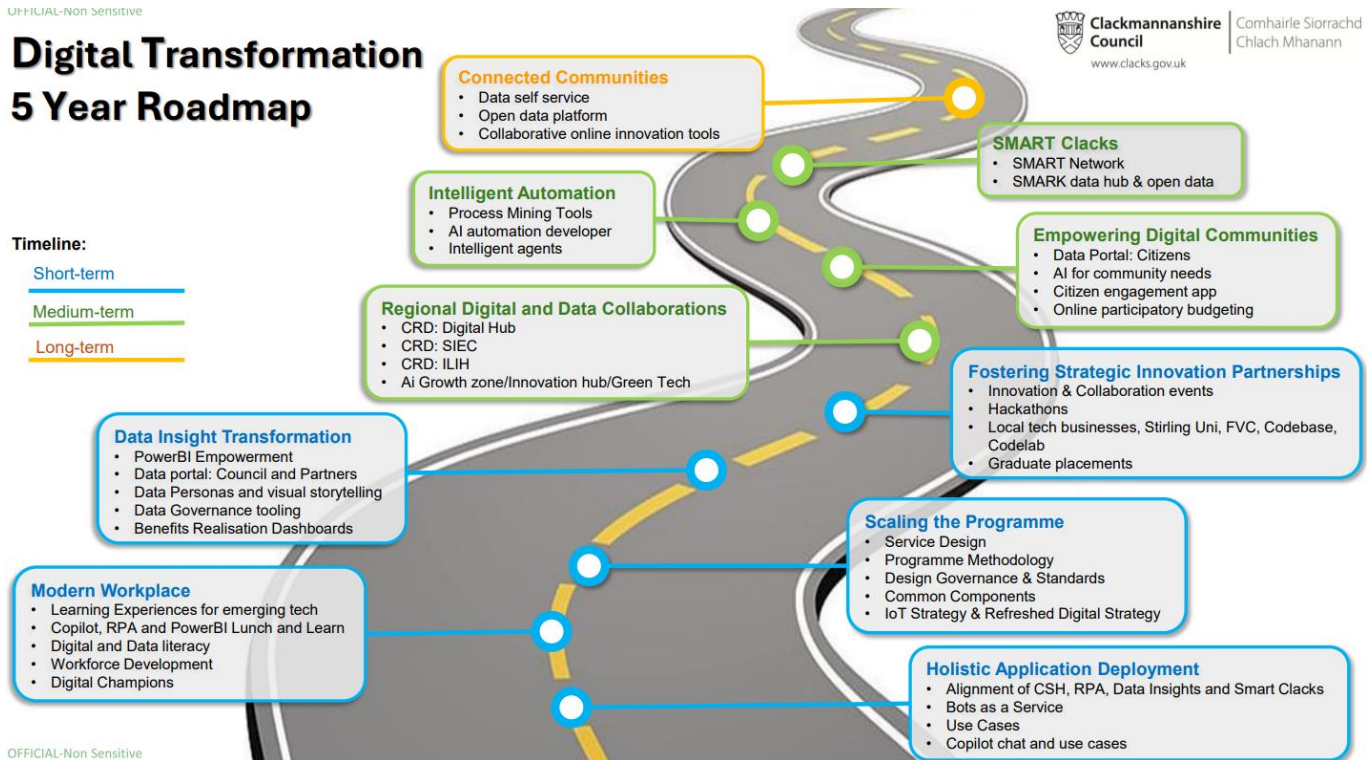
Comhairle Siorrachd  
Chlach Mhanann

#### Timeline:

Short-term

Medium-term

Long-term



OFFICIAL-Non Sensitive

## **8. Capital Strategy and Asset Management**

### **Capital Investment Priorities and Funding Sources**

The Council agreed a 20 year rolling capital investment programme as part of its budget setting for 2021/22. This aimed to provide a plan of investment of around £250m over the longer term in line with the Councils transformation ambitions.

The Capital plan is overseen by the Capital Operations Group that consists of officers across the Council with responsibility for projects within the plan. This group reviews the outturn position throughout the year and considers any updates to the capital plan, including any new project bids to be added. Through the annual review, timing and costs of projects are reviewed and updated and any new bids added or projects removed if they are no longer viable. This forms the updated 20 year programme that is proposed as part of the annual budget setting.

There are accounting rules around what can be classed as capital expenditure and this is often an area of focus for external auditors. Revenue funding can be used to fund capital expenditure but there are limited options for using Capital funds to offset Revenue spend. The Scottish Government can and has in the past passed laws to allow capital funds to offset revenue spend in certain instances.

### **Funding**

#### **General and Specific Capital Grant**

The Scottish Government provides annual funding for capital spend through the General Capital Grant that is announced as part of the Local Government Settlement. This grant has specific conditions attached to it and must be used in full during the financial year.

The Capital Grant the Council receives is relatively small compared to the capital investment it plans to make with only £4.3m being received for 2025/26 against a programmed spend of £29.3m (14.7%).

The Scottish Government also allocates Specific Capital Grant to fund specific areas of spend or initiatives.

The Council can also apply for various other capital grants for specific projects. Examples of these within the current programme include, Active Travel, City Region Deal with Stirling Council and Stirling University.

## **Capital Receipts**

Capital receipts are the net proceeds from the sale of an asset. These proceeds can be used to offset other Capital spend or carried forward for use in future years. They can also be used to fund specific revenue expenditure in relation to the principal repayments of debt. They cannot be used for any other purpose unless this is specifically set out in an amendment to legislation.

Capital receipts are similar to reserves in that they are one off sources of funding.

## **Other Sources of Funding**

The Council is exploring different capital funding models to expand its assets, for example leveraging partnership investment as part of its work on the Promise. As a consequence, the investment strategy will support the priority to identify and maximise the benefit of such opportunities to identify alternate funding sources.

## **Borrowing**

Where funding is not sufficient to meet the cost of planned capital investment, the remainder requires to be funded through Borrowing. Borrowing can be undertaken internally by using surplus cash balances or externally from a lender, commonly the Public Works Loan Board (PWLB). This is managed through the Treasury Management Strategy approved by council each year which ensures that the investment proposed within the annual budget and the resulting borrowing requirement is Prudent, Affordable and Sustainable in line with prudential indicators.

## **Planned Borrowing and Implications for Prudential Indicators**

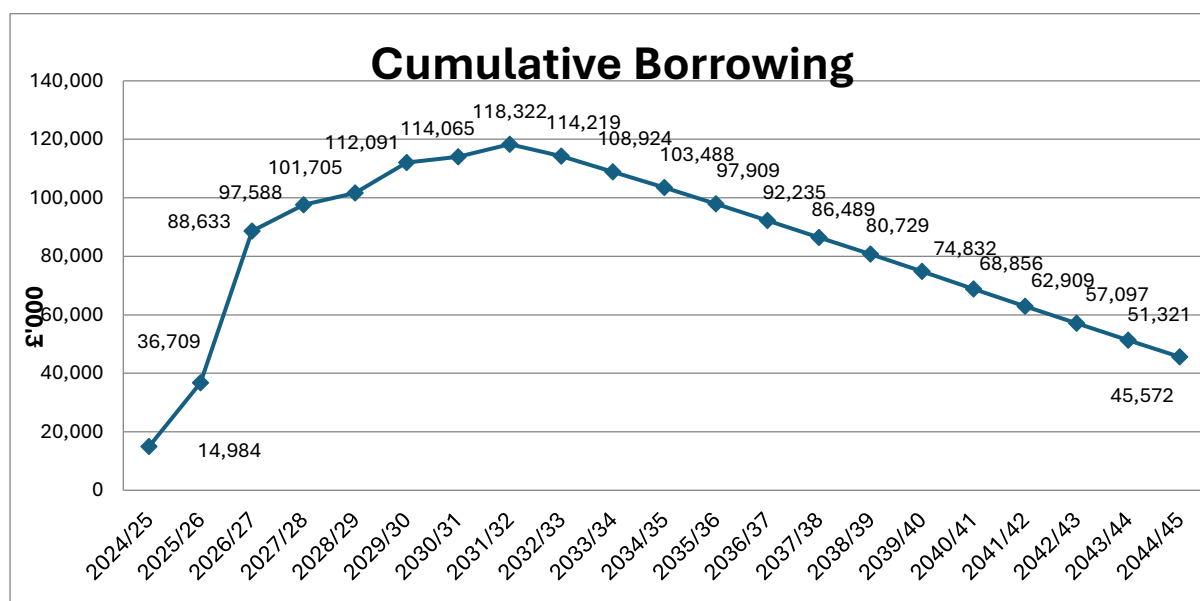
In previous years, the General Services Indicative Capital Programme has been developed in consideration of the financial strategy of minimising new borrowing. In 2021/22 the Council approved a departure from this strategy with a revised strategy focusing on supporting capital investment over the 20 year programme.

Since the previous strategy was introduced in 2012, and the change in strategy in 2021/22, there has been a reduction of £20.4m in the Council's level of debt as at end of March 2025. As such, the Council's borrowing as a proportion of income is now relatively low compared to other Scottish Councils. The ratio of the cost of borrowing relative to our income stream as at 31 March 2025 is estimated to be 3.89% compared to the Scottish Average of 5.75% (2023/24). This places the Council in a strong position from which to invest and stimulate local economic recovery on which the capital plan is based.

Within the 20 year programme, indicative spend increases in the initial years as does borrowing. This is due to significant investments in several significant projects including the Learning Estate and Wellbeing Hub. Towards the end of the 20 year programme, investment starts to reduce again to reflect routine cyclical spend and the

level of borrowing reduces as repayments are made and no further borrowing is undertaken as shown in exhibit 5 below.

### Exhibit 5 - Borrowing



It is important that medium to longer term levels of borrowing are closely planned and monitored. In particular, given the significant investment summarised in the capital programme, it is critical that considerable emphasis is placed on the identification of alternative funding streams including Capital Receipts, specific grant funding and internal borrowing are being considered to reduce any external borrowing requirement to continue to minimise the Council's overall level of debt.

When setting its Capital programme the Council needs to ensure that it is affordable. One of the measures to do this is the ratio of Costs of Borrowing to net revenues stream which is set out in the table below.

**Table 7: Ratio of Financing Costs to Net Revenue Stream**

	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000	2031/32 £000
Loan Charges/ Cost of Borrowing	7,232	8,286	9,862	11,417	16,355	15,552	14,688
General Revenue Funding	166,214	169,101	172,276	175,769	191,289	206,192	225,213
Ratio of Cost of Borrowing	4.35%	4.90%	5.72%	6.50%	8.55%	7.54%	6.52%

The table shows that over the initial years, revenue costs associated with borrowing, including the interest costs and loans fund advances, are rising as a percentage of the revenue income from grant and council tax. The ratio is estimated to increase from 4.35% in 2025/26 steadily over the life of the capital plan as borrowing costs increase and grant funding remains fairly stable. However, costs start to reduce towards the end of the programme after peaking in 2032/33 at 8.7%.

The revenue costs of borrowing shown above are estimated on current borrowing interest rates and estimated revenue funding as set out in the indicative funding gap. Any change to the assumed level of revenue funding and in the estimated borrowing interest rates would increase or decrease the cost of borrowing and the associated ratio.

The cost of external borrowing is built into the funding gap through inclusion in the expenditure forecasts. Any change to the capital programme and associated borrowing requirement would increase or decrease the expenditure forecast with the indicative funding gap shown in table 6.

## **Asset Management Strategy**

One of the key transformation areas of the Councils Be the Future programme, as noted in section 3, is a focus on the Councils Asset strategy. An Asset management strategy is currently being developed that will cover all of the Councils assets and contain proposals for their future use, development or declaration as surplus. More specifically the strategy will consider:

- Sustainable asset base;
- Learning estate review;
- Surplus assets;
- Income generation proposals;
- Carbon reduction and net zero;
- Community asset transfers, and
- Partnership/co-location.

The development of the strategy will follow a structured approach that aligns with both statutory requirements and local priorities. It will also link to place-based regeneration and sustainability goals. By developing a comprehensive strategy, the Council will ensure it can manage its resources effectively and deliver high quality services. In terms of sustainability, the strategy will ensure the council is using its assets to their full potential and to deliver maximum benefit to its Communities.

The strategy will be developed in stages incorporating the eight areas noted above. It will not only consider the Councils Corporate Assets, Commercial Assets and Fleet but also build on the Council Community Asset Transfer Policy. In advance, an exercise has also recently been undertaken to map 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. Work is being taken forward with community groups under Community Asset Transfer for several assets currently owned by the council.

Along with the Asset Management Strategy, the Council is also refreshing its Learning Estate Strategy. These strategies will be closely aligned with many interdependencies.

Key elements of the Asset Management Strategy will create a framework which will consider the condition of the Councils assets, value and suitability for future need. This work will inform the Council as to the level of assets required for future service delivery and provide robust information to optimise the lifespan of assets, combining financial investment with maintenance and best practice.



## 9. Risk Management

The strategy is a key document in the monitoring and reporting of financial sustainability risk. The strategy aims to identify financial challenges at an early stage, setting out the funding gap and potential risks and mitigations that the Council must work to achieve and provides a foundation for all decisions with a financial impact. The strategy helps ensure a shared understanding of the position, encouraging all stakeholders to work together to mitigate those challenges and achieve a financially sustainable operating environment.

The key financial risks are set out within this strategy which include inflation, demand volatility, demographics, funding changes etc.

The Councils Corporate Risk Register records one overall financial risk – risk of Insufficient Financial Resilience which is frequently updated and reported to Committee.

**Risk** - The Council does not have a balanced budget to meet essential service demands, customer needs, or external agendas.

Risk level 20, target 5.

**Potential Impact:** Reputational and legal implications and severe, extended loss of service provision. Possibility of Alliance, Health & Social Care and other partners also experiencing budget pressures contributes to potential impact, given the interdependencies.

**Related Actions:** Use the agreed strategic change framework and organisational design principles to implement a whole organisation redesign and balance the drive for savings with the need for sufficient officer time and skills to support change and consider how to make more use of external assistance to support improvement.

Existing Controls: Budget Strategy and Monitoring, Contract Standing Orders and Financial Regulations.

The risk register also details two related risks that may impact on achieving financial sustainability:

1. Insufficient Scale and Pace of Organisational Change, risk level 8, target 5.
2. Inadequate Work Force Planning, risk level 16, target 3.

Further information including the Corporate Risk Register and Risk Management Policy can be found in the Corporate Risk Management Section of the Councils website.

## **Mitigation Strategies**

In light of these risks and the current challenges the Council faces, a number of activities are being undertaken 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.;
- 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. In March 2025, 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 Social Work IT System (SWIT).
- Income maximisation. A refreshed draft strategic approach is being developed on the Investment Strategy and continued efforts are being undertaken to recruit a post holder.
- Officers are participating in a COSLA group which is reviewing the challenges of small Councils and the work undertaken by Clackmannanshire Council is informing the scope of the group;
- A Financial Resilience Framework is being developed to support this strategy and will be presented to Council in June 2025, 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.

Further updates on this work are being reported to Council through the appropriate reporting mechanism.

### **Workforce Planning**

Both the current Interim Workforce Strategy, and the forthcoming Strategic Workforce Plan are designed to ensure that the Council both now, and in the future, has the right people, in the right place, and undertaking the right work to support our communities. That includes ensuring that we embrace cross service collaboration and innovation, flexible and hybrid working, and digital transformation, to upskill and engage our workforce, and better support staff to meet the needs of our residents and service users.

Progress continues to be made against the actions identified in the Interim Workforce Strategy. These actions are designed to ensure that there is a solid workforce development foundation in place within the Council, ahead of the anticipated Strategic Workforce Plan for 2025-28. Actions completed include:

- Roll out and conclusion of the 2024 Staff Survey;
- A programme of leadership development events for our Senior Leadership Forum and Team Leaders Forum, centred on the CIPFA Local Code of Governance;
- Re-establishment of the healthy Working Lives Group, and
- Roll out of a new Elected Member development programme, centred on the Improvement Services' Political Skills Assessment.

Work is underway to develop the Strategic Workforce Plan with Senior Management Teams carrying out planning sessions within each of the Directorates which will inform the process along with output and feedback from the actions noted above.

### **Contingency Planning and Scenario Testing**

As noted above, the Council's policy is to maintain its uncommitted reserves at a minimum level of 2%, this provides a contingency if additional financial pressures arise in the year. The Council has also implemented spending restraint and vacancy management measures to minimise spend in the current year to provide further reserve balance in light of the scale of the challenges outlined. A general pressure reserve was also approved as part of the 2025/26 budget to cover pressures that were known but the amount was uncertain e.g. National Insurance, etc.

This strategy includes scenarios around the funding gap, presenting a low medium and high scenario determined by changes to the key variables within funding and expenditure. These will be monitored and updated as part of the financial planning and budgeting process.

## **Financial Resilience Framework**

To support risk management, a Financial Resilience Framework will also be developed which will provide a long-term view of the Councils financial resilience i.e. the ability to withstand events that impact the Councils income and asset, 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. The framework will also provide assurance and demonstration of the concept of 'Going Concern' for which local authorities and this Council have recently experienced scrutiny over from its External Auditors, the Controller of Audit and the Accounts Commission.

## **10. Governance and Monitoring**

It is the responsibility of Elected Members and Senior Officers to ensure the financial sustainability of the Council and that it is operating good financial governance and monitoring.

### **Financial Governance and Operational Efficiency**

Underpinning the collective political and managerial investment in finding innovative solutions to deliver services 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.

Regular leadership sessions are held with Senior Managers and Team Leaders to facilitate this and to promote awareness of current policies, requirements and expectations in respect of financial management.

The Section 95 Officer and Senior Leadership Group monitor the Council's financial performance through outturn monitoring reports 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 also undertaken by elected members through the Audit and Scrutiny Committee and Council.

### **Alignment with the Budget-Setting Process and Service Planning**

Directorates prepare Business Plans that align with the LOIP and these are set annually with progress updates reported mid-way through the year. These plans set out the objectives of the Services within the Directorates including performance targets and describe how they will achieve these plans within their approved budgets.

### **Performance Monitoring and Reporting Arrangements**

Corporate Performance is reported annually to the Audit and Scrutiny Committee. The report provided presents a summary of key local demographics and Council performance data aligned to the Statement of Corporate Priorities. The 2023/24 report, tabled in April 2025, included information on the Council's statutory duties for Public Performance Reporting (PPR) and, for each priority area, summarised relevant statistics and performance levels, including data tables, analysis and management commentary.

### **Benefits Realisation Plan**

To demonstrate the impact and overall value of the Transformation Programme in delivering improved outcomes, accessible services and increased efficiency, a Benefits Realisation Framework has been developed.

The Framework comprises three elements:

- Transformation Programme - a selection of qualitative and quantitative indicators which demonstrate the impact and overall value of the Transformation Programme in 19 delivering improved outcomes, accessible services and increased efficiency.
- Thematic Outcomes - aggregated data showing how we are improving and transforming against the three Be the Future Strategic Themes: Sustainable Inclusive Growth, Empowering families and Communities and Health and Wellbeing
- Be the Future Priority Themes Metrics and Baseline - for each of the priority themes the benefits are stated, the baseline information (where available) and the metrics that are used to measure success (these are a mix of qualitative and quantitative measures) are recorded.

Following approval by Council of the Framework, work has started to populate the detail in the Councils performance system – Pentana, at level 3 Metrics and baseline. Indicators are also being developed for the subsequent levels 2 and 1 in consultation with Project sponsors, the Strategic Oversight Group and the Be the Future Board. Work continues to progress on developing templates to enhance reporting to the Board.

### **Regular Review and Update Cycle for Medium Term Financial Strategy**

This financial strategy is prepared at a point in time and relies on a series of assumptions and estimates. These assumptions and estimates are susceptible to fluctuations at both a macro and micro-economic level. As such this strategy will be reviewed and updated when significant changes in these assumptions and estimates are known. The regular reporting of the Budget Strategy for the coming financial year will also provide updates of any material changes in these assumptions which will be reported to Council through the regular reporting cycle.

The overall financial strategy will be refreshed in advance of the end of the period 2029/30 and reported to Council.

## **11. Stakeholder Engagement**

### **Communication and Engagement Strategy**

The Council recognises the importance of engaging effectively with its stakeholders including its Communities, Partners and its Staff in setting its budget which shapes the services provided to better align with their needs. As such the Communication and Engagement Plan is one of the Activities/Themes within the agreed Be the Future TOM Corporate Priorities as shown in section 3.

The Council requires a transformed, resilient, and future-focussed model of internal and external communications. This model aims to focus more specifically on promoting internal and external participation and co-design and delivery of alternative service delivery models. The Communication and Engagement strategy aims to increase the focus on promoting awareness of and celebrating key successes and achievements.

During 2024/25 a high level brief was approved by Council to support the procurement process to procure external capacity to take forward the development of a Communication and Engagement Strategy.

The appointed resource will work with a group of key stakeholders to develop the detailed scope, make recommendations and propose an implementation plan for delivery of the agreed approach. This scope document will be underpinned by a robust project and resourcing plan with clear milestones and timescales.

### **Elected Members**

Elected members are kept fully updated of the financial position of the Council and the financial challenges it faces. This is done through regular reporting to Council and through the Audit and Scrutiny Committee. Regular budget strategy reports are presented to Council which include the approach and progress on the annual budget setting process and quarterly financial outturn reports providing updates on the current financial position of the Council. These are supplemented by various other financial reports including the Draft and Audited Annual Accounts, Treasury Management Updates, Annual Debtors reports and reports from Internal and External Auditors. Elected members are able to scrutinise these reports and ask questions of officers for additional information.

The annual budget processes includes regular briefings to Elected Members, providing update on the budget gap and its assumptions and presenting savings proposals. The Chief Finance Officer also prepares briefings throughout the year on any specific financial updates including in addition to the scheduled briefings as required.



## **Public Consultation and Transparency**

The Council looks to ensure that its stakeholders are fully aware of the financial position facing the Council and the options available to it to set a balanced budget. Through public engagement it looks to inform stakeholders of the services that the Council offers and seeks feedback on what Services are important to its communities. It also looks to obtain feedback on changes that could be made to services to enhance them to better meet their needs and also to gather feedback on how specific policy changes will impact them.

The budget engagement process for 2025/26 was formed of 2 phases. The first phase sought views on the Council's priorities for the next four years and asked residents to provide feedback on the services most valuable to them.

Phase two was a more specific engagement which sought resident's views on a range of officer policy savings proposals. This engagement sought to understand potential impacts arising from proposals and any mitigation or amendments which should be considered in the context of an accompanying draft Equality and Fairer Scotland Impact Assessment.

All responses were classified by themes, alongside potential impacts and mitigations, to shape the development of the final Equality and Fairer Scotland Impact Assessment.

The broad themes were as follows:

- Council Tax, Fees, Charges and Income;
- Voluntary and Third Sector funding;
- Sports, Leisure and Libraries;
- Children and Families, and
- Environmental Services.

Responses from the budget engagement, as well as evidence gathered for Equality and Fairer Scotland Impact Assessments are provided to elected members in advance of the budget setting meeting to allow consideration before making their decisions on the budget proposals. The engagement feedback also includes highlighting areas for potential further dialogue where proposals have not been included in this Budget setting process.

## **Communities, Service Users and Partners**

Alongside the public engagement, officers also engage directly with Communities and Stakeholders that may be directly impacted on specific savings proposals. This allows information to be gathered to understand the direct impact to them and to identify any mitigations that may be available. This information is then used to inform the Equality Impact Assessments and the Savings proposals shared with elected members ahead of the budget setting decisions.

## **Staff & Trade Union Consultation**

Engagement with Trade Union representatives is embedded within the annual budget setting process. Briefings to Trade Unions are held throughout the year as outlined within the budget strategy approach approved by Council. The briefings provide an overview of the budget gap and assumptions and updates on progress with the identification and development of savings proposals with Trade Union representatives receiving the same information on areas for proposed savings as elected members.

Prior to the budget setting meeting of Council, a pre-budget staff cascade is prepared and circulated by the Chief Executive and Chief Finance Officer to all staff. As part of the Trade Union engagement process, staff are encouraged to provide feedback on proposals they may be impacted by, through their Trade Union representatives or through their line managers. throughout the budget process, staff have also been encouraged to engage with their senior managers to discuss proposals if they require further information. A post budget briefing is also prepared for staff detailing the key highlights of the approved budget.