
Report to: Clackmannanshire Council

Date of Meeting: 21 May 2026

Subject: Budget Strategy and Medium Term Financial Strategy Update

Report by: Chief Finance Officer

1.0 Purpose

- 1.1. The purpose of this report is to maintain Council's regular update on the approved Budget Strategy and its Medium Term Financial Strategy (MTFS). This report provides an update on the post Budget context and sets the timetable and key milestones to commence the 2027/28 Budget process.

2.0 Recommendations

2.1 Council is asked to:

2.1.1 agree the high level Budget Timetable (Appendix A)

2.1.2 note the extremely challenging financial position and financial risks faced by the Council and the mitigations being put in place to manage these risks (paragraphs 3.1 and 3.9)

2.1.3 note the indicative funding gap of £10.096m in 2027/28 rising to £24.462m by 2031/32 (paragraph 3.2)

2.1.4 note the update on the Medium Term Financial Strategy (MTFS) (paragraph 3.10)

2.1.5 note the arrangements for 2027/28 budget preparation, including the work of the Budget Working Group and the proposed scheduling of three tranches of Budget Challenge sessions (paragraphs 4.1 to 4.3 and Appendix A)

2.1.6 note the creation of the Capital Programme Board, previously the Capital Operations Group (paragraph 4.1)

2.1.7 note the approach to the preparation of the HRA 2027/28 Revenue and Capital Budgets (paragraphs 4.4 to 4.6)

2.1.8 note the continuation of the cross party working group to support the budget setting process (paragraph 4.7)

- 2.1.9 note the ongoing work with CoSLA and the Scottish Government to raise awareness of the systemic and contextual challenges facing Clackmannanshire (paragraph 4.9)

3.0 Medium Term Financial Strategy Update

- 3.1 The Council continues to operate within a highly challenging financial environment, driven by flat funding, increasing demand for services (particularly in Education & Social Care), inflationary pressures and limited financial flexibility.
- 3.2 Following the setting of the 2026/27 budget, the indicative funding gap for 2027/28 is £10.096m, rising to a cumulative £24.462m by 2031/32, with the 2027/28 position having increased by £5.733m due to the use of one-off measures including: reserves, capital receipts and cash savings to support the current budget, thereby increasing the recurring gap in future years.
- 3.3 The Council continues to address this position through the three-pronged approach set out in the Medium Term Financial Strategy (MTFS), focused on expenditure reduction, income generation and transformational change.
- 3.4 In terms of expenditure, savings of £3.620m were agreed as part of the 2026/27 budget at the Council's budget setting meeting in February 2026. However, the scope for further efficiencies is increasingly constrained given that approximately c£70m of cumulative savings have already been delivered over recent years.
- 3.5 Income measures include a 5.6% increase in Council Tax for 2026/27, an inflationary 4% increase in discretionary charges, above inflation increases in selected areas and the introduction of new charges, alongside ongoing work to develop a refreshed Investment Strategy to maximise income opportunities.
- 3.6 Central to the delivery of the MTFS is the Council's transformation programme. Transformation activity, including digital and data investment, workforce and asset strategies, service redesign and partnership working are critical to delivering the scale of change required to reduce expenditure, support income generation and manage demand.
- 3.7 A key component of the Council's transformation programme, the Target Operating Model (TOM) which was approved by Council in February 2026 has now moved to the "immediate state". The new organisational structure has been established and senior leadership appointments are largely complete.
- 3.8 The next phase of the TOM will focus on embedding cross-directorate alignment around shared outcomes, strengthening collaboration and progressing outcomes-based portfolios, supported by a structured organisational change programme. Further detail is set out in the Be the Future report also on the agenda of this meeting.

3.9 The MTFS is set against a backdrop of significant ongoing pressures and risks, including:

- Rising service demand, particularly in Social Care and Education;
- Financial challenges within the Health and Social Care Partnership;
- Continued inflationary increases on goods and services;
- Workforce pressures including pay and recruitment and retention challenges;
- Low uncommitted reserves (c.£3.6m / 2%) limiting resilience, and
- Limited local income-raising capacity.

3.10 To manage these pressures, the Council has a range of mitigations in place, including:

- Financial Controls and Governance through continued spending restraint and recruitment controls, strengthened budget monitoring and accountability, a track record of savings delivery and ongoing focus on operational underspends and financial discipline.
- Strategic Financial Management through prudent use of reserves that are prioritised to focus on supporting sustainability and development of a Financial Resilience Framework to strengthen long term planning and scenario modelling.
- Transformation and Service Redesign through delivery of the Be the Future transformation programme including digital and data transformation, Workforce and Asset strategies - TOM and Partnership and Collaborative delivery models - Strive, Transformation Space, Transformation Through Collaboration project with Falkirk and Stirling Councils and wider national initiatives.
- Income and Funding Activity including continued development of income generation approaches and development of the Investment Strategy and exploration of income opportunities (within recognised local constraints).
- External Engagement through the Scottish Government, COSLA and national partners to highlight the Council's financial challenges and seek solutions, particularly on systemic issues.

3.11 Overall, while the MTFS provides a clear framework for addressing the financial challenge, the scale of the funding gap and reliance on one-off measures highlight the need for sustained and transformational action to deliver long-term financial sustainability. Ongoing updates on the funding gap, savings delivery, income generation and implementation of mitigation measures will continue to be reported to Council to ensure appropriate oversight and timely intervention.

4.0 Budget Approach 2027/28

4.1 In light of this context, and in keeping with previous years, it is therefore appropriate that Council sets out the Budget preparation timetable and milestones to allow for work to be progressed prior to Council recess. The Budget process will again comprise the following key elements:

- **Budget challenge sessions** at portfolio and whole Council level: the first of three tranches of sessions will take place prior to Council recess. Budget challenge sessions will involve the Budget Working Group along with Heads of Service and Senior Managers for the relevant areas.
- **Capital Programme Board:** the remit of the Capital Operations Group has been reviewed and refreshed and renamed as the Capital Programme Board. The Board will provide strategic oversight and assurance that the approved Capital Programme is delivered, in line with Council Governance, on time, within budget, and achieving intended outcomes and benefits. It will meet every second month to oversee both the in-year capital programme monitoring arrangements, review the currently approved 20 year programme and evaluate new capital bids.
- **Member and Trade Union Briefings:** a Briefing session will be held following each Challenge round and same information shared with both elected members and Trade Union representatives
- **Internal and External Consultation process:** the established process of consultation and engagement will be undertaken and the outcomes reported to all members and publicly as part of usual Budget arrangements.

4.2 Monthly Budget Working Group meetings have been set up, commencing in May. This group is made up of the Chief Executive, the Chief Financial Officer, the Chief Accountant, the Senior Manager for Transformation & Capital, the Director for Wellbeing, the Director for Place and Economy and the Head of Corporate Services with the purpose of overseeing the full budget process. The group is responsible for directing the key budget tasks and ensuring that the timeline is adhered to. The group will continue to meet to support the budget strategy up until the budget is set.

4.3 The high level Budget timetable and associated key milestones are set out in Appendix A. The detailed project plan is being updated for the year which includes a full project timeline for each main task with an assigned responsible officer and identified dependencies between tasks. Oversight of this project plan will be undertaken by the Budget Working Group.

4.4 As in previous years the budget setting process also includes the preparation of the HRA Revenue and Capital budgets including the setting of the HRA Rent levels. The approach includes three key areas of work:

- Preparing the expected level of Revenue income and expenditure on HRA activities for the coming year,
- Reviewing and updating the Capital programme

- The annual Rent consultation with tenants (mid Nov to mid Dec).
- 4.5 To support the above work for the 2026/27 financial year and over the medium to long term stock condition surveys of our assets is underway which will inform an improvement programme that will be built into the capital plan for future years.
- 4.6 The 2027/28 HRA Revenue and Capital budget will be put forward to Council in early 2027 in line with the timescales for issuing any notice to tenants of changes in rent levels.
- 4.7 To support the budget process from an all member perspective, the previously established cross party working group will continue in 2026/27. This group is represented by political leadership reflective of the make up of Council, up to a maximum of eight elected members. Regular meetings will be arranged with additional meetings nearer the budget setting date if required.
- 4.8 In recent Council briefings and Council meetings, and most recently within the Budget Context and Outlook Report presented to Council alongside the 2026/27 Budget Report at its meeting in February 2026, the Council Leader, Chief Executive and Chief Financial Officer have briefed councillors on political and managerial engagement to promote understanding, awareness and potential action with regards Clackmannanshire Council's systemic and contextual challenges and how this relates the funding and distribution mechanism.
- 4.9 This work is continuing through engagement with both CoSLA and Scottish Government Further updates on this work will be provided throughout the year.

5.0 Sustainability Implications

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

5.0 Resource Implications

5.1 Financial Details

- 5.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate.

Yes

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

Yes

5.4 Staffing

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

6.0 Exempt Reports

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

7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box)

Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all

Our families; children and young people will have the best possible start in life

Women and girls will be confident and aspirational, and achieve their full potential

Our communities will be resilient and empowered so that they can thrive and flourish

(2) **Council Policies** (Please detail)

8.0 Impact Assessments

8.1 Have you undertaken the required equalities impact assessment to ensure compliance with the public sector equality duty and fairer Scotland duty? (All EFSIAs also require to be published on the Council's website)

Yes No

8.2 There are no direct impacts resulting from the content of this report.

9.0 Legality

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

10.0 Appendices

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

Appendix A- Budget 2027/28: Key Milestones, Timeline and Outputs

11.0 Background Papers


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

- General Services Revenue and Capital Budget 2026/27

Author(s)

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

Approved by

NAME	DESIGNATION	SIGNATURE
Nikki Bridle	Chief Executive	

Budget 2027/28: Key Timeline, Milestones and Outputs

Task/ Milestone	Timing	Responsible Officer(s)	Stakeholders/ Attendees	Output
Update detailed project plan (including risk register and dependencies)	May	SM - Transformation & Capital	Budget Working Group	Project plan
Budget Working Group	May	CFO/CA	SLG, CFO, CA and SM - Transformation & Capital	Reviewing Project Plan
Budget Challenge Session 1	June	CFO/CA	Budget Working Group + Heads of Service and Senior Managers	Initial officer savings proposals and pressures – Savings spreadsheet to be populated
Budget Working Group	August	CFO/CA	SLG, CFO, CA and SM - Transformation & Capital	Reviewing first draft savings business cases
Members and TU Briefings	August	CFO/CA	All Elected Members, TU's, Budget Working Group, Heads of Service and Senior managers	Present outputs of Budget Challenge Session 1
HSCP - Resource Transfer	October	HSCP CO and CFO	HSCP Chief Officer & CFO and CEX and CFO	Review 2027/28 Business Case
Budget Working Group	September	CFO/CA	SLG, CFO, CA and SM - Transformation & Capital	Reviewing business cases
Budget Challenge Session 2	September	CFO/CA	Budget Working Group + Heads of Service and Senior Managers	Updated business cases and list of potential savings
Capital Bids Submitted	October	SM - Transformation & Capital	Capital Programme Board	Capital bids to be reviewed
Budget Working Group	October	CFO/CA	SLG, CFO, CA and SM - Transformation & Capital	Review updated savings business cases and demand pressures proposals
Members and TU Briefings	October	CFO/CA	All Elected Members, TU's, Budget Working Group, Heads of Service and Senior managers	Present output of Budget Challenge Session 2
Review Capital Plan	November	Senior Manager - Transformation	Capital Programme Board	Prepare draft Capital Plan
HRA Budget Preparation	November	Director - Place & Economy	Director – Place & Economy, Head of Service - Place & Economy and Senior Manager Housing	Prepare draft HRA budget and rent proposals
Budget Working Group	November	CFO/CA	SLG, CFO, CA and SM - Transformation & Capital	Review draft Capital plan and new bids
EQIA - Draft	November	Senior Manager - P&T	Directors, Heads of Service and Senior Managers	Prepare draft EQIA and engage with appropriate groups
Budget Engagement Preparation	November	Senior Manager - P&T	Budget Working Group, Leader, Senior Manager (P&T)	Prepare draft consultation materials
Statement of Corporate Priorities	November	Senior Manager - Transformation	Budget Working Group and Senior Manager P&T	Corporate priorities to be approved for 2027/28
Budget Challenge Session 3	November	CFO/CA	Budget Working Group + Heads of Service and Senior Managers	Advanced Draft of Savings Business Cases
HRA Rent Consultation	November	Director - Place & Economy	Director – Place & Economy, Head of Service - Place & Economy and Senior Manager Housing	Consult on proposed rent increases
Budget Booklet Preparation	December	Senior Manager - P&T	Senior Manager P&T + Comms	Prepare draft narrative
Members and TU Briefings	December	CFO/CA	All Elected Members, TU's, Budget Working Group, Heads of Service and Senior managers	Present output of Budget Challenge Session 3
Scottish Government Budget & Local Government Settlement	December	CFO/CA	CFO/CA	Update Gap position

Task/ Milestone	Timing	Responsible Officer(s)	Stakeholders/ Attendees	Output
Budget Working Group	December	CFO/CA	SLG, CFO, CA and SM - Transformation & Capital	Review Gap position against Savings and Pressures
Budget Engagement - Officer Proposals	January	Senior Manager - P&T	Budget Working Group, Leader, Senior Manager (P&T)	Consultation launched in relation to officer budget proposals. Public and relevant stakeholders including 3rd Sector etc.
EQIA	January	Senior Manager - P&T	Senior Manger P&T	Advanced EQIA
Proposed Capital Budget	January	SM - Transformation & Capital	Budget Working Group	Agree proposed Capital Plan
HSCP - Resource Transfer	January	CFO/CA	HSCP Chief Officer & CFO and CEX and CFO	Resource transfer position consolidated for integration with Council budget
HRA Budget Finalised	January	Director - Place & Economy	CFO, Director – Place & Economy, Head of Service - Place & Economy and Senior Manager Housing	Finalise proposed HRA Budget
Members and TU Briefings	January	CFO/CA	All Elected Members, TU's, Budget Working Group, Heads of Service and Senior managers	Present updated Budget Gap following draft settlement, savings business cases and proposed capital plan
Budget Working Group	January	CFO/CA	SLG, CFO, CA	Finalise Management Budget
Budget Booklet - Finalised	By end of January	Senior Manager - P&T	Senior Manager P&T and Comms, Directors, Leader	Final proposed Budget Booklet prepared including corporate priorities
Budget Setting - HRA Revenue & Capital Budget	January	Director - Place	Council/Special Council	Final Budget presented for Approval
Consultation Outcome	February	Senior Manager - P&T	SLG, Leader, Senior Manager (P&T)	Engagement Results, Draft Pack
Budget Working Group	February	CFO/CA	SLG, CFO, CA and SM - Transformation & Capital	Finalise outstanding budget tasks
Budget Cascade - Pre Budget	February	CFO	All staff	Cascade to staff
Budget Setting - General Fund Revenue & Capital Budget and Treasury Management Strategy	February	CFO/CA	Special Council	Final Budget presented for Approval
Budget Cascade - Post Budget	March	CFO	All staff	Cascade to staff
Budget Working Group	March	CFO/CA	SLG, CFO, CA and SM - Transformation & Capital	Budget Debrief