THIS PAPER RELATES TO ITEM 8

ON THE AGENDA

CLACKMANNANSHIRE COUNCIL

Report to: Clackmannanshire Council

Date of Meeting: 26 November 2026

Subject: Budget Strategy and MTFS Update – November 2026

Report by: Chief Finance Officer

1.0 Purpose

1.1 The purpose of this report is to update Council on the implementation of the approved Budget Strategy and Medium Term Financial Strategy (MTFS), the developing financial outlook and preparations for the 2027/28 Budget. It provides an updated indicative funding gap, reflecting emerging demand pressures and potential Health and Social Care Partnership financial pressures, alongside progress on financial monitoring, resilience, budget consultation and expenditure and capital controls.

1.2 The report provides an early and clear warning to Council about the seriousness of the financial position, the potential effect on service provision and the risks to the Council's ability to continue to meet all statutory duties within the resources likely to be available.

2.0 Recommendations

2.1 Council is asked to:

2.1.1 note the extremely challenging financial position and the financial risks and uncertainties set out in section 3;

2.1.2 note that the previously reported medium scenario gap of £10.096m for 2027/28 has **increased** to an indicative planning gap of £17.096m, after allowing for a further £2.300m of demand pressures and a potential £4.700m Council share of the HSCP financial position for 2026/27 (paragraphs 3.2-3.3, Table 1);

2.1.3 note that the financial challenge extends across the MTFS period, with a cumulative indicative funding gap of approximately £26.762m on current planning assumptions (paragraph 3.7)

2.1.4 note that the planning scenarios include an assumed 10% Council Tax increase and that, before any Council Tax increase, the revised 2027/28 planning gap is £20.145m (paragraphs 3.10-3.11);

2.1.5 note that demand pressure bids submitted total £4.900m against the £2.500m provision within the current gap and that the working estimate is that a further £2.300m will require to be added following officer validation and review (paragraphs 3.3-3.4);

2.1.6 note the continuing financial risk arising from the HSCP position and that the revised planning gap includes a potential £4.700m Council share of the 2026/27 position. No formal request or quantified requirement has yet been received from the IJB for 2027/28 and any such requirement would be additional to the revised planning gap; (paragraphs 3.3-3.6 & 5.13-5.15)

2.1.7 note the impact on the indicative gap from applying Low and High scenarios to the key assumptions (paragraphs 3.15-3.19) noting that all scenarios are planning illustrations rather than forecasts and will be refreshed as other information becomes available;

2.1.8 note the continuing essential-spend and critical-recruitment controls, the review of the 2026/27 and 2027/28 capital programmes to limit expenditure, reduce future borrowing requirements and associated financing costs;

2.1.9 note that the scale of the projected gap may require material changes to the level and manner of service provision and may affect the Council's ability to meet all statutory duties within the funding available;

2.1.10 note the three parallel areas being explored by officers, comprising recurring savings and service redesign, additional funding from the Scottish Government and other potential flexibilities (paragraph 5.25);

2.1.11 note the extensive political and managerial engagement undertaken by the Council Leader, Chief Executive and s95 Officer with COSLA and the Scottish Government, including the most recent correspondence to the Deputy First Minister attached at Appendix 1, and endorse continued representations seeking additional financial support and flexibility to address the Council's financial challenges and protect essential services;

2.1.12 note the statutory responsibilities of the Chief Finance Officer, as the proper officer appointed under section 95 of the Local Government (Scotland) Act 1973, in relation to the proper administration of the Council's financial affairs and the requirement to advise Council on setting a lawful and balanced budget, and

2.1.13 note progress made against the approved Budget Strategy and preparations for the 2027/28 Budget and revised consultation and briefing schedule. (section 5).

3.0 Medium Term Financial Strategy Update

3.1 The Council continues to operate within a highly challenging financial environment, driven by uncertainty over future grant funding, increasing demand for services, particularly Education and Social Care, pay and contractual inflation, and limited financial flexibility.

3.2 The MTFS continues to be managed through the three-pronged approach of reducing expenditure, maximising income and transforming service delivery with a clear focus on outcomes. The scale and recurring nature of the projected gap together with the emerging HSCP risk, mean that the Council cannot rely on a series of incremental efficiencies or one-off measures to balance the 2027/28 Budget.

3.3 The previously reported medium planning scenario produced an indicative 2027/28 gap of £10.096m. Officer review has identified two material additional pressures:

- demand pressure bids submitted total £4.900m against the £2.500m provision currently included within the gap and the working estimate is that a further £2.300m will require to be added following officer validation and review.

- a potential £4.700m Council share of the HSCP financial position for 2026/27 has been included for planning purposes.

3.4 These adjustments increase the revised medium planning gap to £17.096m. £4.700m HSCP provision is a prudent planning allowance for the potential impact of the 2026/27 position and is not an assumption about the level of any 2027/28 contribution. The revised gap therefore remains subject to change as the HSCP position, demand pressures and other assumptions are confirmed.

Table 1 – Indicative funding gap 2027/28 Movement

	£m
Previously reported 2027/28 medium gap	10.096
Additional demand pressure estimate	2.300
Potential Council share of 2026/27 HSCP position	4.700
Revised medium planning gap	**17.096**
Assumed 10% Council Tax income included in gap	3.049
Medium planning gap before Council Tax increase	**20.145**

3.5 The £4.700m HSCP provision relates to the potential Council share of the 2026/27 position. It is not based on a formal IJB ask for 2027/28. No formal request or quantified requirement has yet been received from the IJB for 2027/28 and any such requirement would therefore be additional to the revised £17.096m planning gap.

3.6 The inclusion of the £4.700m HSCP provision within the planning gap is considered prudent, given the scale of the developing Partnership position and the potential impact on the Council's available resources. The amount is not a confirmed contribution and will depend on the final IJB position, delivery of the Recovery Plan, the availability and use of IJB reserves and the application of the agreed risk-sharing arrangements.

3.7 While the revised £17.096m represents the current indicative planning gap for 2027/28, the financial challenge extends across the full MTFS period. On the current planning assumptions, the cumulative indicative funding gap over the MTFS period to 2031/32 is approximately £26.762m. This represents the cumulative financial challenge across the period rather than an additional gap over and above the annual figures. This reinforces the need for the measures developed through the budget process to deliver recurring and sustainable reductions in expenditure and/or increases in income, rather than addressing the 2027/28 position in isolation.

Assumptions within the Current Indicative Gap

3.8 The principal assumptions included within the revised medium scenario are set out below. These assumptions are not predictions. They provide a consistent baseline for planning and will be updated as firm information becomes available.

Table 2 – Assumptions

Assumption	Medium scenario	Indicative financial effect / sensitivity
Pay award	3% each year	£3.6m included for 2027/28; each 1% is approximately £1.200m. A 7% pay claim has been submitted by the trade unions, which, if agreed in full, would represent a significant additional financial pressure compared with the 3% assumption currently included.
Demand and contractual pressures	£4.8m working assumption for 2027/28, comprising the existing £2.5m provision and an additional £2.3m estimate	Demand pressure bids submitted total £4.900m and remain subject to officer validation, prioritisation and mitigation.
Core Scottish Government grant	Flat cash	No growth included. A 1% movement is approximately £1.266m.
Council Tax	10% increase each year	£3.049m included for 2027/28; each 1% is approximately £0.305m. This is a planning assumption and not a Council decision.
HSCP / IJB	£4.7m planning allowance 2026/27 risk share	Represents the potential Council share of the HSCP position for 2026/27. No formal request or quantified requirement has yet been received for 2027/28.
Other Assumptions	As current MTFS model	Includes existing savings, financing and other approved MTFS assumptions. These will be updated as further information becomes available

3.9 The assumptions remain highly sensitive. The trade unions have submitted a pay claim of 7% for 2027/28, compared with the 3% planning assumption currently included in the MTFS. In previous years, the Scottish Government has provided additional funding towards the cost of pay settlements above planned assumptions; however, there is no guarantee that similar support will be available for 2027/28 and no additional funding has therefore been assumed. Based on the current estimated sensitivity of £1.200m for each 1% movement, if a 7% award were agreed and the Council were required to meet the full

additional cost, this would create a further financial pressure of approximately £4.800m.

3.10 The Council Tax assumption is particularly significant as a 10% increase contributes £3.049m to the 2027/28 funding position. This does not represent a decision by Council and is used only as a planning assumption.

3.11 Removing the assumed 10% Council Tax increase from the 2027/28 funding position increases the gap from £17.096m to £20.145m. This provides greater transparency over the underlying expenditure and funding imbalance before a local taxation decision is made.

3.12 For illustration, each 1% Council Tax increase is currently estimated to generate approximately £0.305m. While Council Tax could mathematically address the funding gap at a sufficiently high level of increase, the scale of increase required demonstrates that significant recurring action across expenditure, income and service delivery will be required under any reasonable Council Tax assumption.

Table 3 – Council Tax

2027/28 position	**£000**
Revised medium scenario gap	17,096
Add back assumed 10% Council Tax income	3,049
Gap before any Council Tax increase	**20,145**

3.13 The table below shows the remaining gap at various illustrative levels of Council Tax increase. These figures are indicative and assume a broadly linear yield. The scenarios are presented to demonstrate the extent to which different levels of Council Tax increase could contribute towards the funding gap and should not be interpreted as proposed increases.

Table 4 – Council Tax Increase Scenarios

Illustrative Council Tax increase	**Estimated income £m**	**Remaining 2027/28 gap £m**
0%	0.000	20.145
5%	1.524	18.620
8%	2.439	17.706
10%	**3.049**	**17.096**
12%	3.658	16.486
15%	4.573	15.572

3.14 For context, based on the current estimated yield, an increase of approximately 66% would be required to raise an amount equivalent to the full £20.145m funding gap. This is provided solely to illustrate the scale of the financial

challenge and reinforces the need for a combination of measures to achieve a balanced budget.

Scenario Planning – Low, Medium and High

3.15 Consistent with the approach used in the 2025 MTFS, three scenarios have been prepared to show how the funding gap might move if the key assumptions change. The scenarios are illustrative sensitivity tests and do not replace the detailed bottom-up MTFS model.

3.16 Demand and contractual pressures have been updated to reflect the emerging position following receipt of £4.900m of demand pressure bids. This includes the recurring impact of the emerging pressure in Children's Services associated with external residential placements, currently estimated at approximately £2.800m in 2026/27. For scenario planning purposes, assumptions of £4.400m, £4.800m and £4.900m have been applied under the low, medium and high scenarios respectively. The £4.700m potential 2026/27 HSCP risk share has been applied consistently across all three scenarios and is not treated as a 2027/28 sensitivity assumption.

Table 5 – Low Medium and High Scenarios

Assumption	Low pressure	Medium / current	High pressure
Pay award	2%	3%	4%
Demand and contractual pressures	£4.4m	£4.8m	£4.9m
Core grant movement	+1%	0% / flat cash	-1%
Council Tax planning assumption	10%	10%	10%
Potential 2026/27 HSCP Risk Share	£4.7m	£4.7m	£4.7m
Other assumptions	As current model	As current model	As current model

3.17 Applying the current sensitivities, including the updated demand pressure estimates, gives an indicative planning gap ranging from £14.230m under the low scenario to £19.662m under the high scenario, with the revised medium scenario at £17.096m. The figures remain planning scenarios rather than a full reforecast and will continue to be updated as assumptions are validated and further information becomes available.

Table 6 – Indicative Gap – Low, Medium and High Scenarios including potential HSCP risk

Scenario	2027/28 indicative gap £m	Movement from medium £m
Low pressure	14.230	(2.866)
Medium / current	17.096	-
High pressure	19.662	2.566

3.18 The low scenario assumes lower pay and underlying demand pressures together with 1% growth in core grant. The high scenario assumes a 1% higher pay award, higher underlying demand pressures and a 1% reduction in core grant. All three scenarios include the additional £2.300m demand pressure estimate and the potential £4.700m Council share of the HSCP financial position for 2026/27.

3.19 Before any Council Tax increase, the equivalent 2027/28 range would be £17.279m in the low scenario, £20.145m in the medium scenario and £22.711m in the high scenario. This demonstrates both the scale of the underlying challenge and the very significant level of Council Tax increase that would be required if Council Tax were relied upon to close the gap.

3.20 These figures do not include any additional requirement which may subsequently be identified by the IJB for 2027/28. Any such requirement would increase the funding gap further.

3.21 The latest formally reported General Fund position, based on the June 2026 monitoring report, is a forecast underspend of £1.113m. As this position was reported early in the financial year, it does not reflect an emerging pressure of approximately £2.800m in Children's Services relating to external residential placements. A recovery plan is required to address this pressure and is currently being developed by the Service. Given the scale and nature of the pressure, however, it may not be possible to manage this fully within Children's Services and wider Council measures may require to be considered. The recovery plan will set out the actions being taken to contain and mitigate costs in 2026/27. The updated position as at September 2026 is due to be reported to the next Audit & Scrutiny Committee in December.

3.22 The recurring impact of current placement commitments is also being reflected in the assessment of demand pressures for 2027/28. The Council's General Fund position must therefore be considered alongside this emerging pressure, risks to delivery of the approved savings programme and the separate HSCP position. The previously reported forecast underspend should not be regarded as removing the requirement for further management action in 2026/27 or the need to establish a recurring and sustainable budget for 2027/28.

3.23 The HSCP position represents a significant additional risk to the Council's 2026/27 financial position. As set out in section 5, the IJB's latest reported position continues to indicate a significant residual deficit after savings. The Council is therefore planning for the potential that its share of any additional requirement could be in the region of £4.700m for 2026/27.

3.24 The £4.700m has been included in the revised planning gap to ensure that the potential impact on the Council's available resources is recognised. It remains a planning estimate rather than a confirmed contribution. The final amount will depend on the formal IJB position, application of IJB reserves, delivery of the Recovery Plan and the agreed risk-sharing arrangements.

3.25 No formal request or quantified requirement has yet been received from the IJB for 2027/28. The £4.700m included in the revised planning gap should therefore not be interpreted as provision for a 2027/28 contribution. Given the underlying financial position of the Partnership, any additional requirement for 2027/28 remains a material downside risk to the MTFS.

3.26 Existing mitigations restricting expenditure to essential spend and recruitment to critical posts have been in place for a number of years. Given the significant increase in the projected funding gap, strict adherence to these controls is now more important than ever. Guidance to services has therefore been reissued, including updated recruitment business case requirements and further guidance through the TLF/SLF forum on what constitutes essential spend. Services are required to continue to challenge expenditure and recruitment decisions, having regard to statutory and operational requirements, service resilience and affordability.

4.0 Financial Resilience Dashboard – progress update

4.1 Development of the Financial Resilience Dashboard has not progressed further since the previous update to Council as Finance capacity has required to be prioritised towards the immediate 2027/28 budget position, annual accounts and wider financial recovery work. The principles previously agreed remain relevant and development of the dashboard will recommence when capacity allows. In the interim, the key financial resilience indicators continue to be monitored through existing budget, treasury, reserves and financial reporting arrangements.

5.0 Budget 2027/28 – Progress Update

5.1 Budget development has moved into a more intensive design and validation phase. The scale of the budget gap means that the established process of reviewing a series of discrete savings proposals will not, on its own, be sufficient. The approach has therefore been broadened to consider the shape of a sustainable and coherent service offer, with a clear focus on outcomes, linked to statutory responsibilities, priorities, transformation and the Target Operating Model.

5.2 Initial officer proposals have been grouped under the themes of alternative delivery models and commissioning, asset strategy, digital and process redesign, external funding, income and charging, service redesign, Transformation Through Collaboration and workforce and organisational design. Proposals are being reviewed to distinguish recurring savings from one-off cash measures and to assess deliverability, lead-in time, dependencies and impact on services.

5.3 The immediate focus is to develop options with further detailed business case development and validation and clear assessment of workforce, equalities, legal and service implications. Assessment will also consider opportunities to strengthen prevention. Given the uncertainties described earlier, a range of scenarios are also having to be developed in parallel, assessing the impact of potential funding reductions of £5m, £7m, £9m, £11m and £15m and what these different levels of reduction could mean for future organisational design and service delivery. The scale and pace of this work requires significant dedicated officer capacity alongside delivery of current services, financial recovery activity and existing transformation commitments.

5.4 The Budget Hub continues to provide the central repository for savings, income and pressure proposals, supporting version control, auditability and financial validation. Governance and reporting arrangements are being aligned across the Budget Working Group, officer challenge process, Member engagement and public consultation to ensure that proposals are progressed consistently through the budget process.

Essential-spend and recruitment controls

5.5 Controls limiting expenditure to essential spend have been in place for a number of years. In light of the deterioration in the financial position and the revised £17.096m planning gap, the importance of strict compliance with these controls is being re-emphasised across all services.

5.6 Expenditure should only proceed where it is necessary to meet statutory requirements, protect health and safety, maintain critical service provision, meet an unavoidable contractual obligation or where not incurring the expenditure would result in a greater financial or operational consequence. Services are expected to manage expenditure within approved budgets and, where a forecast overspend is identified, to develop and implement recovery action. Any essential expenditure or recruitment which cannot be accommodated within the approved service budget will require to be considered in the context of the Council's overall financial position.

5.7 Similarly, recruitment remains restricted to critical posts only. This is not a new control, but the threshold for progressing recruitment must continue to be applied rigorously, taking account of statutory and operational requirements, service resilience, workforce capacity and affordability. A revised recruitment business case has been issued which strengthens the considerations and justifications of recruitment requests. This will ensure that every recruitment decision is carefully considered, affordable and supported by a clear business case demonstrating why the requirement cannot reasonably be met through existing resources or alternative arrangements.

5.8 The General Services Capital Programme is being reviewed on the same essential-spend basis. No projects from the 2027/28 programme will be accelerated into 2026/27.

5.9 Officers are reviewing the approved 2026/27 capital programme to identify expenditure that can be paused, reprofiled or removed where it is not:

- essential;
- contractually committed;
- required for health and safety purposes;
- necessary to meet a statutory obligation; or
- otherwise unavoidable.

Any updates to the programme will be reported to members for approval in line with appropriate governance requirements.

5.10 Development of the General Services Capital Programme for 2027/28 and the longer-term capital plan is progressing. Services have submitted new capital investment bids supported by business case information covering strategic fit, estimated costs, delivery timescales, funding options, revenue consequences and key risks. The Capital Programme Board has reviewed the bids and categorised them as essential or desirable to inform prioritisation within the revised 2027/28 capital programme.

5.11 A detailed review of the existing and proposed capital programme is also underway, considering affordability, deliverability, slippage, emerging cost pressures, statutory and contractual requirements, alignment with Council priorities, future revenue implications and the scope to rephase or reprioritise investment. Given the Council's wider financial position, the review will seek to limit capital expenditure and reduce future borrowing requirements and associated financing costs. This may require investment to be delayed or reprioritised and could affect service delivery; however, additional borrowing would increase recurring revenue costs and place further pressure on the resources available to support services. The outcome of the review will inform the updated capital programme presented as part of the 2027/28 budget-setting process.

5.12 Preparation of the Housing Revenue Account (HRA) Revenue and Capital Budgets for 2027/28 remains in progress. The stock condition survey programme is progressing on track and will inform future capital investment planning and the development of the longer-term Housing Capital Programme and future budget decisions. Consultation on the proposed 2027/28 rent increase will commence in mid-November and run until mid/late December, with the outcome informing the final HRA budget and rent-setting proposals.

HSCP financial position

5.13 The financial position of the Clackmannanshire and Stirling Health and Social Care Partnership remains a significant risk to the Council's financial planning. At Month 5, the Integration Joint Board reported a forecast deficit of £18.434m after savings, an overall increase of £0.724m from Month 4. Further indications are that the position at Month 6 has further deteriorated. Work is continuing with the HSCP and partner organisations to establish the likely 2026/27 outturn, delivery of the Recovery Plan, the availability and proposed use of IJB reserves, the residual amount to be met by the constituent authorities and the application of the agreed risk-sharing arrangements.

5.14 For planning purposes, the revised gap includes £4.700m for the potential Council share of the HSCP financial position for 2026/27. This is not a confirmed contribution and the final amount will depend on the formal IJB position, delivery of the Recovery Plan, application of IJB reserves and the agreed risk-sharing arrangements.

5.15 No formal request has yet been received from the IJB for an additional contribution in 2027/28. Any requirement for 2027/28 would therefore be additional to the revised £17.096m planning gap.

Service provision and statutory duties

5.16 The Council is now at a point where the scale of the projected £17.096m medium planning gap, before any additional HSCP requirement for 2027/28, may require material changes to the level and manner of service provision.

5.17 There is a risk that reductions of this scale could affect the Council's ability to maintain existing service levels and, depending on the measures ultimately required, its capacity to discharge statutory duties. Each proposal will require legal, financial, workforce, equalities and operational assessment before decisions are taken.

5.18 The requirement to balance the budget does not remove the Council's statutory responsibilities. It does, however, mean that the range and level of services currently provided may not be sustainable within the resources expected to be available.

Section 95 responsibilities and early financial warning

5.19 The Council must set a lawful and balanced budget. The Chief Finance Officer, as the proper officer appointed under section 95 of the Local Government (Scotland) Act 1973, is responsible for the proper administration of the Council's financial affairs and for providing appropriate financial advice to Council.

5.20 This includes advising Council on the robustness of the financial estimates, the adequacy of reserves, the affordability of proposals and the financial sustainability of the overall budget.

5.21 The purpose of this report is therefore to provide clear and early warning to Council of the seriousness of the financial position. Unlike the position in England, there is no Scottish statutory mechanism directly equivalent to a section 114 notice, which is a formal report issued by a council's Chief Finance Officer in England or Wales when the authority cannot balance its budget or is facing unlawful expenditure, triggering restrictions on new spending.

5.22 The absence of an equivalent notice does not reduce the seriousness of the Council's financial position or the requirement to take action. In the absence of a Scottish equivalent to section 114, this report provides formal notice to Members that the current financial trajectory is not sustainable without significant action.

5.23 This report does not state that the Council is currently unable to meet its obligations. It does, however, make clear that a balanced and sustainable 2027/28 Budget and the Council's wider medium-term financial position, cannot be assumed without difficult decisions and significant action by the Council. The measures required may have significant implications for service performance and the level of services provided, with associated risks to the Council's capacity to discharge its statutory duties. Any additional funding or financial flexibility, should it become available, could assist in managing the position but has not been assumed.

5.24 The revised planning gap of £17.096m includes a prudent allowance for the potential 2026/27 HSCP impact but does not include any additional HSCP requirement for 2027/28. It should therefore not be regarded as the maximum level of financial risk facing the Council.

Options being explored

5.25 Officers are progressing three parallel possibilities:

1. Savings, income and service redesign - Recurring expenditure reductions, income generation, service redesign and transformation sufficient to reduce the funding gap and establish a sustainable service and financial position. This will include continuing to explore opportunities for regional collaboration and any relevant opportunities arising from wider public service reform.

2. Additional Scottish Government funding - Continued engagement with the Scottish Government on the Council's financial position, including recognition of demand, statutory and social care pressures and the potential effect on essential services. No additional funding has been confirmed and no additional funding has been assumed within the current planning position.

3. Other flexibilities - the Council is exploring whether any other financial flexibilities may be available and the conditions that would apply. This includes but not limited to exemption from the floor, capital to revenue or capitalisation. No such flexibility has been agreed and no financial benefit from this has been assumed within the current budget planning position.

5.26 Since the previous update to Council, there has been regular and ongoing engagement with the Scottish Government at both officer and political levels, Discussions involving the Chief Executive and Chief Finance Officer have focused on ensuring that the Scottish Government is aware of the Council's financial position, the scale of the developing 2027/28 funding gap, increasing demand pressures and the potential impact that further reductions in expenditure may have on service provision and the Council's ability to meet its statutory responsibilities.

5.27 Alongside ongoing engagement at officer level, the Council Leader has engaged with COSLA leadership with the Chief Executive and s95 Officer. The Council Leader has also undertaken extensive political engagement with the Scottish Government, including direct representations to Ministers, to highlight the increasingly serious financial challenges facing Clackmannanshire Council. This has included setting out the steps already taken locally to manage expenditure, deliver efficiencies and transform services, alongside the growing risks to essential service provision and the Council's ability to discharge its statutory responsibilities.

5.28 Most recently, the Council Leader has written to the Deputy First Minister seeking an urgent meeting to explore options for additional financial support and flexibility. This correspondence, attached at Appendix 1, builds on sustained engagement over a number of years and highlights the need for a sustainable financial solution which recognises the particular circumstances

and pressures facing Clackmannanshire as one of Scotland's smallest local authorities.

5.29 The Council will also continue to explore whether any additional support or financial flexibilities may be available. No additional funding or financial flexibility has been confirmed and none has been assumed within the current budget planning position. Any financial flexibility would require appropriate approval, safeguards and a clear route back to recurring balance. It could assist with the timing and management of the financial challenge but would not remove the need to address the underlying recurring gap. Depending on its structure, it may also defer costs or increase future liabilities.

5.30 The Council Leader, Chief Executive and officers will continue to engage with the Scottish Government on the Council's financial position, the potential impact on essential services and statutory capability, and whether any additional support or financial flexibility may be available.

Member, Trade Union and public engagement

5.31 A briefing for all Elected Members and Trade Unions was held on 23rd November which provided a detailed update on the content of this report.

5.32 Further briefings for Elected Members and Trade Unions will take place in December, when the Scottish Budget, local government finance settlement and developed officer options are expected to be clearer.

5.33 The same core financial information will be used for Member and Trade Union briefings to ensure consistency. Trade Union engagement will include a more detailed focus on workforce impacts, consultation requirements, redeployment and the timetable for implementation.

Budget consultation

5.34 Budget consultation will be undertaken in two stages.

5.35 Stage 1 will commence in November and will seek high-level views on priorities, principles and the broad choices facing the Council. It will explain the scale of the financial challenge and the limited scope to address the gap without changes to expenditure, income or service provision.

5.36 Stage 2 will take place in January and will consult on developed budget proposals, including the expected financial, service, workforce and equalities implications where these can be quantified.

5.37 Engagement will continue as proposals are refined and before final decisions are taken. Consultation responses will inform the final budget proposals but will not remove the requirement for Council to set a lawful and balanced budget.

Next steps

5.38 The current gap and scenario analysis will continue to be refreshed to reflect any material changes and this will be reported to members.

5.39 The financial outlook is extremely challenging. A combination of recurring expenditure reduction, income, transformation and, where appropriate, carefully controlled one-off measures will be required.

5.40 Any one-off measure must be affordable, time-limited and linked to a clear and deliverable route to a recurring balanced position. One-off resources must not be used simply to defer unidentified permanent action.

6.0 Sustainability Implications

6.1 There are no direct environmental sustainability implications arising from this report. Individual budget proposals will be assessed as required as they are developed, including consideration of environmental, economic and social sustainability where relevant.

7.0 Resource Implications

7.1 *Financial Details*

7.2 The financial implications and planning assumptions are set out in sections 3 to 5. The scenarios are illustrative and do not constitute budget decisions. Final implications will depend on the Local Government Finance Settlement, pay awards, validated demand pressures, the final HSCP position, the 2026/27 outturn, Council Tax decisions, the capital programme review and the approval and delivery of budget proposals. No additional Scottish Government funding or other financial flexibility has been assumed within the current planning position.

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

7.4 *Staffing* - Recruitment is restricted to critical posts only. Budget options may have significant staffing implications and will require appropriate Trade Union and staff consultation, impact assessment, legal advice and governance as proposals are developed. The scale of the financial challenge will also require consideration of the future workforce and organisational structure necessary to support a financially sustainable Council.

Sustained vacancy and recruitment controls are likely to result in further reduced capacity, increased workload and additional pressure on service resilience. These risks will require to be considered alongside the immediate financial benefits of holding posts vacant.

8.0 Exempt Reports

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

9.0 Declarations

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

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

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

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

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

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

(2) Council Policies

Complies with relevant Council Policies ☐

10.0 Impact Assessments

10.1 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 ☑

10.2 If an impact assessment has not been undertaken you should explain why:

There are no direct service or equalities impacts arising solely from the recommendations in this report.

Individual budget proposals may have significant impacts on protected groups, socio-economic inequality, communities, employees and service users. Equality and Fairer Scotland Impact Assessments and any other required impact assessments will be completed for relevant proposals as they are developed.

The stage 1 high-level consultation will focus on priorities and broad choices. More detailed impact information will be made available for the January consultation where proposals have been developed sufficiently to allow impacts to be identified and assessed.

11.0 Legality

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

The Council is required to set a lawful and balanced budget.

12.0 Appendices

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

Appendix 1 - Letter from the Council Leader to Deputy First Minister – 16 November 2026

13.0 Background Papers

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

- General Services Revenue and Capital Budget 2026/27
- Medium term Financial Strategy
- Budget Strategy and Medium Term Financial Strategy Update - May 2026
- Budget Strategy and Medium Term Financial Strategy Update – August 2026
- Budget Strategy and Medium Term Financial Strategy Update – October 2026
- Council Financial Performance 2026/27 as at June 2026
- Proposed 2027/28 demand pressures summary
- Financial Resilience Framework

Author(s)

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

Approved by

NAME	DESIGNATION	SIGNATURE
Nikki Bridle	Chief Executive	[redacted]

Councillor Ellen Forson
Leader of Clackmannanshire Council
Ward 4 Clackmannanshire South (Multi Member Ward)
Kilncraigs, Greenside Street, Alloa, FK10 1EB

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

Deputy First Minister
Jenny Gilruth MSP

CC
First Minister
John Swinney MSP

Contact: Jackie Davies
Business Support Administrator
Telephone: [redacted]
Email:
Our ref: EF/JD
Date: 16th November 2026

Dear Jenny,

Clackmannanshire Council – Urgent Request for Meeting and Support

I am writing to you directly because I am deeply concerned about the financial position facing Clackmannanshire Council and the consequences for the communities we serve.

As Scotland's smallest mainland local authority, we face particular challenges in delivering the same statutory responsibilities as much larger councils, with a significantly smaller funding base and limited capacity to absorb increasing pressures.

These challenges are not new. We have engaged extensively with the Scottish Government and COSLA over a number of years, both politically and at officer level, highlighting the structural difficulties facing Clackmannanshire and the need for a sustainable solution. Our position should therefore be well understood.

Despite making over £74 million in savings since 2010, we now face a projected funding gap of approximately £12 million in 2027/28, rising to £17 million when health and social care pressures are included. These are extraordinary figures for a council with an annual revenue budget of around £181 million.

I do not underestimate our responsibility to manage our finances, make difficult decisions and deliver change. We have demonstrated our commitment to doing so through our Be the Future transformation programme, our pioneering work on prevention and family wellbeing, and our leadership in developing shared services across the Forth Valley.

However, we are now reaching a point where I cannot be confident that the Council will be able to agree a balanced budget in February. Previous budget reductions have already diminished our capacity to deliver statutory services and maintain acceptable standards. The scale of the shortfall now facing us means that we are

now considering which statutory services can no longer be delivered. The options emerging are deeply concerning, particularly for our most vulnerable residents, and risk undermining the very capacity we need to deliver meaningful reform.

I firmly believe that public service reform offers the best route to a sustainable future for Clackmannanshire. But reform takes time, and we need to find a way of supporting that transition without causing lasting damage to services and outcomes for our communities.

I am therefore requesting an urgent meeting with you to explore what support the Scottish Government may be able to provide, including potential financial assistance, greater flexibility in the use of existing resources and other arrangements that could help us manage the immediate pressures while delivering longer-term change.

I have attached a briefing setting out the financial position, the risks we face, the work already under way and the options we would welcome the opportunity to discuss.

I recognise the significant pressures facing the Scottish Government and other local authorities. However, we have been raising these issues for several years, and I am concerned that we are now running out of time to find a sustainable solution. I believe we owe it to the people of Clackmannanshire to exhaust every possible avenue before taking decisions that could have profound and lasting consequences for the services they rely on.

I would welcome the opportunity to meet with you as soon as possible.

Yours sincerely,

Councillor Ellen Forson
Leader of Clackmannanshire Council

Appendix

This briefing sets out the structural financial challenges facing Clackmannanshire, the emerging risks to service delivery and statutory responsibilities, the reform already under way and the potential forms of support that could assist the Council in achieving a sustainable future.

The Council is not seeking to avoid difficult decisions or its responsibility to balance its budget. It is seeking to establish whether additional support or financial flexibility could enable those decisions to be taken in a planned and sustainable way.

The Financial Position

Clackmannanshire Council faces a projected funding gap in 2027/28 of approximately:

- £12 million excluding Health and Social Care Partnership pressures.
- £17 million including those pressures.

These forecasts remain subject to changes in funding, inflation, pay and service demand – for example the pay increase assumed is 3%, every additional 1% above this will add £1.2million to the gap.

The Council has already approved more than £74 million in savings since 2010, equivalent to approximately 41% of its current £181 million revenue budget.

The scope to raise additional income locally is exceptionally limited. A 1% increase in Council Tax generates approximately £305,000. Closing a £17 million gap through Council Tax alone would therefore require an illustrative increase of almost 56%.

Other income-generating measures, including a visitor levy or additional Council Tax on second homes, would have limited financial impact.

Previous use of reserves has helped protect frontline services and moderate Council Tax increases, but this has reduced the financial headroom available to respond to further pressures. The Council's minimum uncommitted reserves requirement of 2% provides only a modest buffer against the projected shortfall.

The Structural Challenges Facing Clackmannanshire

As Scotland's smallest mainland local authority by population, Clackmannanshire is required to discharge the same range of statutory responsibilities as larger councils, without comparable economies of scale, specialist capacity or income-generating opportunities.

Research commissioned from the University of Stirling into the Clacks Effect identified particular challenges associated with concentrated levels of complex need. It found that conventional deprivation and funding measures did not fully reflect the intensity of demand for public services within the area.

This research has previously been shared with the Scottish Government and COSLA.

The Council has consistently raised concerns about the sustainability of smaller local authorities and the need to consider minimum funding levels and the actual costs of statutory service delivery.

One current example is our ability to respond to significant increased demand for external residential care packages for young people – many of which is outwith our control. For the coming year this is expected to cause a demand pressure of £2.85million - equivalent to 1.6% of our entire council budget, or a council tax increase of 9.3%.

Despite longstanding discussions, these structural issues remain unresolved.

Emerging Risks to Services and Organisational Capacity

The financial pressures are now affecting more than the Council's ability to balance its budget. They are placing increasing strain on the organisational capacity required to maintain statutory compliance, deliver services and implement reform.

Evidence of this includes:

- The Controller of Audit's Section 102 report highlighting delays in financial reporting.
- Internal audit assurance reducing from substantial to limited for 2024/25 and 2025/26.
- Compliance concerns relating to Gaelic Language Plan and British Sign Language Plan responsibilities.
- Intervention or compliance action by the Scottish Road Works Commissioner and Scottish Information Commissioner.
- Recruitment, retention and specialist workforce pressures, including staff covering multiple roles.
- Increasing demand in children's services, specialist education, homelessness and adult social care.
- Deterioration in some performance standards and reduced capacity to maintain corporate governance and assurance.
- In the 2015, Scottish Households Survey Clackmannanshire had the highest satisfaction with services rating in Scotland at 69%. In 2025, this had fallen to the lowest in Scotland, at 27%. There is no doubt this is directly related to the difficult decisions that have had to be made.

The Council recognises its responsibilities in addressing these issues, and improvement work is under way. However, the same limited management and professional resources are required both to address immediate concerns and to deliver transformation.

Potential Consequences of Further Reductions

Budget planning is considering the scale of organisational redesign required to achieve financial balance.

While no final decisions have been taken, the extent of the projected shortfall means that reductions to and potentially stopping statutory services may be unavoidable.

Potential consequences include:

- Education and children's services: Reduced teaching, school leadership and specialist support capacity, with implications for attainment, inclusion, additional support needs and safeguarding.

- Health and social care: Further pressures on services for vulnerable adults and families, alongside increased demand for intervention and support.

- Prevention and community services: Reduced capacity to intervene early, risking increased demand for more expensive crisis services and undermining progress made through whole-family approaches.

- Infrastructure and environmental services: Reduced resilience in roads maintenance, winter services, waste management and other essential functions.

- Corporate and governance services: Further reductions in financial management, workforce support, procurement, digital capability, governance and programme delivery.

- The central concern is that reductions made to achieve immediate financial balance could permanently weaken the Council's ability to meet statutory obligations and deliver the reform needed to reduce future costs.

- Residents could consequently experience a level of service provision materially different from that available elsewhere in Scotland.

These remain potential impacts rather than approved service reductions.

Reform and Transformation Already Under Way

Clackmannanshire has a longstanding record of innovation and public service reform.

Be the Future: The Council's transformation programme has reshaped services, modernised structures and developed new approaches to digital delivery and organisational efficiency.

Family Wellbeing Partnership: An established preventative model supporting families earlier and reducing reliance on crisis interventions. Joint working has contributed to reductions in out-of-authority education placements despite increasing complexity of need.

Clackmannanshire Transformation Space: A community-led approach to aligning resources, commissioning and service delivery around better outcomes, with established governance and a commitment extending to at least March 2029.

Digital and Data Transformation: A five-year roadmap to modernise services, improve information sharing and increase automation and efficiency.

Community Empowerment: Asset transfers, community partnerships and local investment approaches supporting sustainable community-led provision.

Transformation through Collaboration: Clackmannanshire initiated the work underpinning the Forth Valley collaboration with Falkirk and Stirling Councils.

Supported by Scottish Government Invest to Save funding, this programme is testing opportunities for shared delivery, reduced duplication, greater resilience and access to specialist capacity.

These initiatives demonstrate the Council's commitment to reform. However, significant structural changes require investment, capacity and time before their full financial benefits can be realised.

The pace and extent of collaborative reform also depend on agreement between participating authorities.

Potential Scottish Government Support

The Council seeks an early discussion, without prejudging the outcome, about the forms of support that may be available.

Options for consideration include:

Additional financial assistance

Whether targeted or transitional funding could help protect essential services and maintain the capacity required to implement reform.

Financial and accounting flexibilities

Whether arrangements including capitalisation or other financial mechanisms could assist the Council in managing immediate pressures, subject to appropriate safeguards and assessment of longer-term implications.

This may require engagement with HM Treasury.

Greater flexibility over existing resources

Whether increased discretion over the use and timing of funding could support local priorities, preventative approaches and service redesign.

Support for organisational capacity

Whether assistance could be provided to strengthen the financial, governance, workforce, digital and programme management capabilities needed to deliver a sustainable operating model.

Other available interventions

Whether there are further mechanisms or approaches available to the Scottish Government that could assist the Council in managing its transition.

Proposed Next Steps

The Council proposes that urgent ministerial engagement is followed by discussions between senior Scottish Government and Council officials to:

- Identify which potential support mechanisms could be considered.
- Establish the financial and operational information required to assess those options.
- Consider affordability, risk, accountability and longer-term sustainability.
- Agree a clear timetable for reaching decisions, recognising the Council's forthcoming budget-setting process and the need to inform public consultation.
- Explore how Clackmannanshire's experience could inform wider work on public service reform and the sustainability of smaller local authorities.

The Council would be willing to provide detailed financial information, emerging budget proposals and further evidence on a confidential basis.

The objective is to secure a managed transition to sustainable public services, protecting essential provision while allowing the Council to deliver the structural reform required for the future.