

North Lanarkshire Council Report

Policy and Strategy Committee

Does this report require to be approved?

Yes No

Ref

GT/KS/FC

Date

11/06/26

5 Year Medium Term Financial Plan 2027/28 to 2031/32

From Greg Telfer, Chief Officer (Finance and Technology)

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Executive Summary

This report provides an update on the five-year medium term financial forecast to 2031/32, which will be kept under review, with further updated Financial Outlooks reported in line with the Revenue Budget Framework outlined in the report. The report outlines the challenges faced by the Council in maintaining medium term financial stability, whilst achieving the strategic priorities of the Council.

Taking the approved 2026/27 budget as the new baseline, this plan updates on the key financial planning assumptions focussing on those factors which have the greatest potential to impact the Council's forecast financial position in the medium term. This includes future revenue grant funding, pay and non-pay inflation. A range of risk-based scenarios have been considered, resulting in envisaged, pessimistic and optimistic positions, as set out in Appendices 1 to 3. Whilst the envisaged scenario remains the most appropriate for planning purposes, it is important to note the budget gap range, reflecting other potential scenarios the Council may face.

Table 1 below includes the optimistic and pessimistic scenarios and demonstrates the volatility and the extent of the fluctuation possible over the period of this plan. The summary forecast envisaged position, indicates a budget gap of £114.535 million over the planning period and £75.545 million for the three-year budget period, 2027/28 to 2029/30. Reflecting the other planning scenarios, the budget gap is estimated to range between £45.336 million and £257.958 million over the five-year period, and £34.465 million and £158.057 million over three years. This position is prior to any consideration of Council Tax increases, additional savings or other potential solutions to manage the position.

Table 1

Financial Year	Budget Gap Optimistic £000	Budget Gap Envisaged £000	Budget Gap Pessimistic £000
2027/28	11,925	25,055	50,046
2028/29	14,380	28,310	56,701
2029/30	8,160	22,180	51,310
2030/31	5,391	19,370	49,231
2031/32	5,480	19,620	50,670
Total	45,336	114,535	257,958
3 Year Gap	34,465	75,545	158,057

Recommendations

It is recommended that the Policy and Strategy Committee:

- (1) Approves the updated Medium Term Financial Plan 2027/28 to 2031/32.
 - (2) Recognises this plan will be subject to ongoing review with updates reported as outlined in the Revenue Budget Framework.
 - (3) Acknowledges the Revenue Budget Framework to manage the three-year forecast financial position outlined in the MTFP, which will facilitate the identification of sustainable solutions by the Council in meeting its statutory obligation to set a balanced budget.
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The Plan for North Lanarkshire

Priority	All priorities
Ambition statement	(25) Ensure intelligent use of data and information to support fully evidence based decision making and future planning
Programme of Work	All Programmes of Work

1. Background

- 1.1. Members will appreciate longer term planning is integral to the Council's Financial Strategy and the strategic approach to budgeting. Effective decision making relies on robust financial planning and the Medium-Term Financial Plan (MTFP) assists in ensuring resources are aligned to the key priorities outlined in The Plan for North Lanarkshire are affordable and sustainable.
- 1.2. The MTFP reflects the financial risks that may impact on the Council's ability to continue to provide high quality services focussing on the strategic priorities, whilst balancing the budget. Therefore, this plan continues to consider a range of scenarios and highlights the associated forecast budget position. Taking the 2026/27 approved budget position as the new baseline, key financial planning assumptions have been reviewed, updated and reflected in this plan. A range of risk-based outcomes continued to be modelled highlighting envisaged, pessimistic and optimistic scenarios.
- 1.3. The main variables with the greatest potential to impact the forecast financial plan and the Council's ability to set a balanced budget are the level of funding provided by the Scottish Government and pay inflation. Before the recent conflict in the Middle East, economic forecasts including that of the Office for Budget Responsibility (OBR) anticipated that inflation will reach the target of 2% by the end of 2027. However, the impact of the Iran conflict has created greater uncertainty for the economic outlook.
- 1.4. This plan continues to recognise the risks and volatility in forecasting the potential financial implications. Therefore, whilst the envisaged scenario remains the most appropriate for planning purposes, the budget gap range across the potential scenarios demonstrate the volatility and the extent of the fluctuation possible over the period of the plan.
- 1.5. Continuing practice in previous years, the MTFP budget gap excludes the anticipated cost pressures in relation to Adult Health and Social Care (AHSC) and the Housing Revenue Account as the IJB and HRA continue to prepare and develop their own robust

financial plans and budget strategies to support their financial sustainability over the medium term. However, to ensure ongoing Elected Member visibility of the pressures facing AHSC this paper includes a high-level summary of the most recent financial plan approved by the IJB.

- 1.6. The IJB approved their MTFP 2026-2029 including the Long-Term Outlook 2026-2035 in March 2026. This highlights that, to meet the needs of North Lanarkshire's population within available resources, the Partnership must accelerate service redesign and new delivery models, prioritise pathways and shift capacity to areas of greatest impact to ensure services remain safe, effective and financially sustainable. The Council's Section 95 Officer and the Chief Finance Officer (Section 95 Officer) of the IJB continue to work closely to ensure the Council has oversight of the financial position and work towards aligning budget strategies and planning periods.
- 1.7. It should be noted that a five year medium term plan continues to remain reasonable and appropriate for financial planning purposes.
- 1.8. A Revenue Budget Framework to support the delivery of a balanced budget for 2027/28 is also provided.

2. Report

- 2.1 The previous MTFP approved by this Committee in June 2025 indicated a three year gap for the period 2027/28 to 2029/30 of £77.374 million (2027/28 £25.956 million, 2028/29 £25.355 million and 2029/30 £26.063 million). This position is updated for the impact of approved 2026/27 budget decisions along with other relevant key changes, whilst recognising the impact these may have on the demand for services, resources, and other cost pressures.
- 2.2 Appendices 1 to 3 provide summaries for three planning scenarios across the five year planning period, highlighting the anticipated budget gap for the three year budget period 2027/28 to 2029/30. Whilst three planning scenarios have been presented reflecting sensitivities and volatility in forecasting, the remainder of this report primarily focuses on assumptions in relation to the envisaged scenario. These are outlined below, with a summary of the movements since the previous plan provided at Appendix 4.

Forecast Resources

Aggregate External Finance (AEF)

- 2.3 The Council's revenue funding consists largely of government funding, Aggregate External Finance (AEF), which equates to approximately 83% of total funding. This is made up of General Revenue Grant based on the Scottish Government's assessment of overall spending needs, Specific Grants and Non-Domestic Rates Income.
- 2.4 Estimating future years' funding with any degree of certainty is challenging, and a slight variation on funding level can have a significant impact (1% equates to more than £9.500 million) on the Council's forecast financial position.
- 2.5 The Scottish Spending Review (SSR) 2026 sets out high level parameters for the Scottish Government's indicative spending plans up to 2028-29 for resource, and up to 2029-30 for capital. Whilst this indicates potentially a small cash increase in general

revenue grant over the period, it is anticipated that some or all of this will be allocated for Scottish Government initiatives, if indeed it materialises at all. It is also anticipated that the Scottish Government will continue to have to make difficult and prioritised spending decisions across with economic forecasters commenting that Local Government is unlikely to be prioritised as part of the Scottish Government's budget decisions. Therefore there is a risk of an actual reduction to previous cash settlements.

- 2.6 Due to the high degree of uncertainty around Scottish Government this plan continues to assume a flat lining of government funding and therefore no additional resources assumed to be available to manage Council budget pressures. It should be noted that when allocating grant funding to Local Government, the Scottish Government makes assumptions about growth in income from Council Tax, and adjusts grant funding allocations, accordingly. This plan assumes the expected flat cash expectation is net of such adjustment. Thus, all three scenarios have been re-baselined to reflect the 2026/27 AEF as reported in the approved 2026/27 budget and updated for subsequent finance circular movements. The envisaged scenario assumes no movement in the re-baselined 2026/7 core grant for the duration of this plan. The optimistic and pessimistic scenarios have been flexed to 1% increase/decrease respectively.
- 2.7 However, it should also be noted that historically the Scottish Government provided Local Authorities with support for loan charges and PPP Payments for borrowing undertaken in lieu of large capital grants. There are no new loans covered by this process and as principal and interest repayments reduce, the support provided by Scottish Government through the General Revenue Grant also reduces. This plan, therefore, continues to assume that the overall Local Government quantum for such payments will remain static with any reduction in loan charges and PPP support redistributed across all 32 Local Authorities. In addition, the plan also assumes a £1.000 million per annum favourable movement in floor adjustment linked to Social Work formula change we saw in 2026/27, as this unwinds over time. This favourable movement is assumed to be a pass on to the IJB and is reflected in other cost pressures discussed below. Therefore, it is anticipated that over the term of this plan there will be a net gain of £13.500 million, with a net increase of £7.660 million over the three year planning period. There is, however, a risk that Loan charges and PPP support funding could be diverted out with the Local Government portfolio and therefore the position will continue to be monitored, and any impact reported in future financial outlook papers.

Council Tax

- 2.8 Income from Council Tax accounts for around 17% of the Council's revenue resources with the estimated income based on a combination of Band D equivalent value, householder base and the expected rate of collection.
- 2.9 In setting the 2026/27 budget, members acknowledged the Council Tax Strategy report taken to Policy and Strategy Committee on 12 December 2025 highlighting that North Lanarkshire had the 4th lowest Band D charge across the 32 local authorities. This is despite North Lanarkshire ranking 6th out of 32 authorities in terms of deprivation based on the most up to date published statistics, which creates significant demand across services that support and address the challenges around poverty and deprivation. The report outlined three potential scenarios. Scenario B was based on a 10% per annum increase for 2026/27 and 2027/28, as previously recommended, falling to the estimated Scottish average thereafter. However, at the budget setting meeting in February 2026/27 the Council took the decision to approve a 7% increase to Council Tax, resulting in an increased Band D charge of £1,554.56. The Council continued to agree to set aside 2% of the Council Tax increase for additional capital investment through

the Community Investment Fund. This plan assumes this will revert back to 1% from 2028/29. Overall, this provides £12.867 million of additional resources over the five year planning period and £8.425 million over the 3 year budget period.

- 2.10 In addition to the increase in Council Tax rates noted above, it is also anticipated that additional income will be generated as a result of household growth. This is expected to generate an additional £2.988 million of Council Tax income in 2027/28, and £13.833 million over the course of the planning period. This includes assumed additional income from household growth ringfenced for the CIF programme of £8.833 million.

Use of Reserves / Resources

- 2.11 The principles linked to the Revenue Budget Strategy continue to allow for prudent and sustainable use of balances to support multi-year budgeting and help smooth budget gaps, in accordance with the Reserves Policy. This also provides for the Change Management Fund which is necessary to support the one-off costs of approved budget savings to enable a more strategic and sustainable approach to managing the challenging budget position, allowing time to develop and implement recurring savings.
- 2.12 This plan recognises the reversal of the 2026/27 one-off use of reserves approved to allow for one-off investment of £10.000 million, and £2.595 million in managing the timing and delivery of savings, with a further £0.260 million approved use in 2027/28.

Forecast Expenditure & Income Generation

Employee Cost Pressures

- 2.13 Employee costs remain the largest single element of the General Fund budget, accounting for a significant proportion of the overall budgeted expenditure. Therefore, cost pressures linked to the workforce are material and a key variable, which has the potential to impact significantly on the forecast plan. It should be noted that this plan aims to reflect the element of pay costs that Councils are expected meet. These cost pressures are outlined below.
- 2.14 In financial year 2027/28 and 2028/29 the forecast is based on a 3% uplift which is in line with that previously assumed. For 2027/28 this was previously linked to the Public Sector Pay Policy (PSPP) of 9% over 3 years to 2027/28, despite the first two years exceeding the annual average over three years. In the absence of an updated PSPP the forecast for the remaining period has been reviewed based on the Scottish Fiscal Commission's forecast average earnings increases for public sector workers, which is expected to revert to the 2% baseline inflationary assumption. However, due the economic uncertainty arising from the conflict in the Middle East it is deemed prudent to assume a further 3% for one more year in 2028/29, reducing to 2% for the remaining years. After reflecting the re-baselining impact of the two year deal over 2025/26 and 2026/27, along with the forecast uplifts, as well as accounting for some further future uncertainty around pay, a total of £20.600 million pay provision is estimated for 2027/28. Total provision over the next 3 years is anticipated to be £55.400 million. The optimistic scenario assumes pay awards will cost the Council 0.5% less than the envisaged scenario, whilst the pessimistic scenario assumes a 2.5% increase on the envisaged assumption, thus providing a range for potential pay award of £18.200 million to £34.800 million in 2027/28 or between £46.400 million and £106.500 million over the next 3 years. Pay award assumptions will remain under review as negotiations take place, with financial outlooks will be updated, as appropriate.

Non Pay Inflationary Pressures

- 2.15 Historically non-pay inflationary uplifts has only been provided for where deemed material and contractual in nature, with uplifts based on forecast relevant inflationary indices. This continues to be the case in this update to the MTFP. As a result, total contract inflationary pressures of £5.000 million in 2027/28 and £19.700 million over the 5 year period of the plan, are assumed.
- 2.16 The inflationary indices applied reflect an average of economic forecasts including both the OBR's most recent economic forecast at March 2026 and the latest Bank of England forecast for inflation at February 2026, indicating CPI inflation reaching the targeted 2% by the end of 2027 and remaining at that level over the period of the plan. The RPI forecast is expected to be higher in the earlier years reducing over time.
- 2.17 Whilst energy costs increased significantly in recent past, there is evidence to suggest that contract prices negotiated for energy pre-purchased have reduced. However, there is some uncertainty in relation to the non-purchased elements, along with the potential unknown impact of the conflict in the Middle East. Therefore, the envisaged scenario does not reflect any further benefit of the reductions experienced in 2026/27, and has been capped at nil impact for the period of the plan, which will be kept under review with an update provided in future Financial Outlooks or MTFP updates, as required.

Continuing Service Pressures and Other Cost Pressures

- 2.18 A net £20.879 million is estimated over the five year period for Continuing Service Pressures (CSPs) and Other Cost Pressures. These predominantly relate to a prudent provision for increase in Council Tax Reduction costs associated with Council Tax increases, of £11.786 million over five years. In addition, provision is made for an inflationary increase in non-domestic rates costs of £2.290 million and the pass through of £5.000 million to the IJB as a result the unwinding of the floor adjustment referenced in paragraph 2.7 above. There is also a notional provision of £1.900 million in 2028/29 for costs associated with the Emissions Trading Scheme (ETS) as it continues to be expanded to cover more sectors and industries. A £1.000 million increase has also been provided to meet the increased demand from the ASN sector for school transport, and £1.500 million additional budget has been provisionally made available to absorb the increased revenue consequences of capital projects including Hubs, over the first three years.
- 2.19 It should also be noted that, as outlined in the approved budget for 2026/27, budget assumptions are continually reassessed in finalising service budgets. As a result, a positive budget impact of £2.900 million has been realised and is reflected from 2027/28 onwards. This includes a reduction in energy budgets, increased income generation targets to reflect a trend in income over recovery, and reduced provision for Council's non-domestic rates bills following the recent property revaluations. In addition, the expenditure on the one-off investment approved in setting the 2026/27 has been reversed and netted off with the use of reserves funding outlined in paragraph 2.12 above.

Other Commitments

- 2.20 There is provision for loan debt costs in relation to the Community Investment Programme, including City Deal, which equates to £6.390 million in year 1 of the plan and £22.280 million across the planning period.
- 2.21 In addition, the plan continues to recognise the updated forecast loan charge costs which have increased due to previously approved non-recurring loan debt re-profiling savings and increased interest rate costs. Therefore, a total increase of £11.000 million over the five years, is estimated, which now also reflects the need to reinstate the loan charges funding as a result of the £6.000 million saving approved in the budget motion of February 2026. However, there also remains great uncertainty in forecasting when the budget will be required due to a number of variables, including the spend profile of the capital programme. This will be kept under review.
- 2.22 The MTFP reported in June 2023 incorporated a saving of £4.500 million for the five years in respect of the funding for PPP contract obligations. It was recognised that additional budgetary provision would require to be incorporated into future MTFPs. Therefore, year three to five of this plan reflects an additional cost of £1.000 million per annum. Further additional financial consequences will be recognised in future Financial Outlooks or MTFPs.

Sales, Fees & Charges

- 2.23 One of the key principles of the Revenue Budget Strategy outlined in Appendix 5 is that maximising income should be considered, with future charging models for services to be informed by benchmarking and the principles of full cost recovery, where appropriate. The plan assumes additional income generation for discretionary charges of £1.000 million in 2027/28, in line with the approved policy to uplift prices by 5% each year, and £5.520 million over the five years. The optimistic and pessimistic scenarios assume a slightly adjusted base for 2027/28 of £1.250 million and £0.750 million, respectively.

Updated Medium Term Financial Forecast

Approved Savings / Advance Action

- 2.24 This plan recognises previously approved savings and base budget adjustments, currently totalling £2.900 million across the term of the plan. However, the plan also recognises the impact of prior year decisions to use one off resources to assist with the implementation of savings which result in a cost pressure of £0.260 million in 2027/28.
- 2.25 This plan assumes all other previously approved savings will be fully achieved. Committee should note that updates in this regard will be provided to future meetings and amendments to the Financial Plan will be made accordingly.

Strategic Use of Balances

- 2.26 A key principle of the Revenue Budget Strategy and the Revenue Budget Framework is that planned and sustainable use of available balances will be considered, in line with policy, and in accordance with a budget strategy recommended by the S95 Officer. Members will recall an updated Reserves Policy was reported to Policy and Strategy Committee in December 2025, which recommended that the balance held for future budget pressures should be based on a target reflective of the budget shortfall and provide an appropriate level of one off resources to assist with smoothing the impact

of service redesign, allowing lead in time for savings and supports strategic service redesign rather than applying budget cuts. It was agreed an average of the 3 year budget gap should be set aside for this purpose, to be set at the closing of the year end and should be linked to the MTFP prepared at the same time i.e. at the closing of the 2026/27 accounts the balance targeted should be based on the June 2027 MTFP budget gap forecast for 2027/28 – 2029/30. Therefore, as the envisaged three year gap equates to £75.545 million, an average of £25.181 million should be targeted. The Council's balance earmarked for future budget pressures continues to be closely monitored.

Summary – Medium Term Financial Forecasts

- 2.27 In summary, the envisaged scenario indicates a budget gap of £114.535 million over the five year planning period and £75.545 million for the three year budget period 2027/28 to 2029/30. Further details are contained within Appendix 1. Appendices 2 and 3, summarise the forecast pessimistic and optimistic scenarios indicating the gap could range between £45.336 million and £257.958 million, over the five years.
- 2.28 Appendix 4 provides a high level summary of the movements between this plan and the previous plan reported to Committee in June 2025, updated for any impacts in setting the 2026/27 budget in February 2026.

Council Tax Strategy

- 2.29 In line with the Revenue Budget Framework outlined below, Council officers will work with Elected Members to ensure options for potential solutions are presented to enable the Council to address the budget gap in each financial year and to meet its legal obligation to set a balanced budget.
- 2.30 Members will recall budget strategies proposed by the S95 Officer in setting previous budgets made an assumption around Council Tax increases, with the potential to materially reduce the forecast budget gaps and therefore ultimately the savings requirement. It is intended that the S95 will take an update to the Council Tax Strategy to Policy and Strategy Committee in December 2026. However, should a similar approach be recommended for the 2027/28 to 2029/30 three year budget, members are reminded that an annual Council Tax increase between 5% and 10% is estimated to generate additional income between £10.300 million £20.600 million. The estimated equivalent of £30.900 million and £61.800 million over a three year planning period.

Risks and Uncertainties

- 2.31 Whilst the assumptions applied to income and expenditure projections in this financial plan are based on the best information available at the time of writing, they are inherently uncertain. The key factors which are likely to impact upon the Council's assumptions and future financial plans have been discussed throughout the report, including the significant uncertainty in relation to the Council's funding settlement and uncertainty in assumed cost of pay awards. There are also a number of political factors which may impact on planning assumptions, including potential changes at Scottish Government levels as a result of the election, and the financial consequences of this on Local Government. In addition, the report touches on unknown impact of the conflict in the Middle East, highlighting potential risks. However, at the time of writing this report, no specific material impacts have been identified. This will be kept under review with an update provided, as appropriate, in a future financial outlook.

2.32 Other current notable risks previously reported include;

2.32.1 Committee are also reminded of Scottish Government’s plans to review the Capital Accounting arrangements and statutory mitigations in respect of such, to ensure they remain fit for purpose. Since the revised circular issued in 2024, there has been no further movement. It is still understood that the plan is to comprehensively review existing statutory arrangements, with a view to reducing reliance on statutory mitigations and offer greater alignment with international accounting standards. This continues to cause real concerns and Local Authority Directors of Finance and COSLA continue to seek engagement on such plans. Removing existing statutory mitigations will have material financial consequences on revenue budgets and ultimately potentially impacting on capital investment programmes.

2.32.2 The Scottish Government launched a consultation in January 2025 seeking views on Local Authority General Power of Competence. This would give local authorities statutory power to act as an individual generally would, expanding the scope of activities that a council might undertake. The consultation closed on 31 March 2025 and following analysis of the findings and limited parliamentary time prior to the recent elections, the Scottish Government agreed to pause any potential changes. They have, however, convened working groups to consider potential changes to the Local Authorities (Goods and Services) Act 1970 and review provisions under Section 20 of the Local Government (Scotland) Act 2003 to advance wellbeing. The outcome of these working groups is yet to be concluded and will be kept under ongoing review.

Integration Joint Board Medium Term Financial Plan

2.33 Table 3 below details the budget gap highlighted within the IJB MTFP, alongside the anticipated budget gap for the Council. As the IJB sets out its MTFP and 3 year budget gap in March each year including the immediate financial year, the planning period covered therefore differs from the Council’s planning period.

Table 3

Financial Year	IJB Envisaged Budget Gap £000	NLC Envisaged Budget Gap £000
2026/27	23,923	
2027/28	21,721	25,055
2028/29	21,820	28,310
2029/30		22,180
Total	43,541	75,545

2.34 The Council continues to pass on funding received from Scottish Government in respect of Adult Social Care activity including support for the changes to the Scottish living wage, uprating of free person care and its share of funding linked to pay awards. Whilst the IJB present their budget gap and recommended options for service redesign and transformation in order to close their gap on an annual basis, elected members should continue to be mindful of the Council’s contribution to the IJB in support of its cost and demand pressures when settling its budget for 2027/28 and beyond

Revenue Budget Strategy Update

- 2.35 The MTFP presented to committee in June 2024 provided an update on the Revenue Resources Budget Strategy that was approved in June 2019, providing a revision of the principles that underpin our financial plans to ensure robust and financially sustainable decisions have been taken in setting the revenue budget. Seven revised principles were recommended and set out at that time. The Section 95 officer has carried out a further high level review this year to ensure these remain relevant and has concluded that no further update is required. Appendix 5 provides members with a summary of the principles as a reminder.

Revenue Budget Framework

- 2.36 Aligned to the MTFP and Revenue Budget Strategy principles, Table 2 below provides an outline framework to govern the 2027/28 budget process and to ensure that the Council manages the rolling three year budget forecast position as reported in the annual MTFP, in a robust and timely manner. This framework will be reviewed annually.

Table 2

Action	Detail	Responsibility	Timeline
Annual update of MTFP to P&S Committee	Review and update the assumptions of the MTFP to ensure the Council has a robust and up to date forecast financial plan.	S95 Officer	Committee Cycle 2
Update & Report Financial Outlooks	Ongoing review of financial plan assumptions and provision of updated Financial Outlooks for material changes. These will be reported as part of the budget engagement and / or an update provided to Committee, as deemed appropriate.	S95 Officer	Ongoing between June 2026 and January 2027
Report on Delivery of Approved Savings	Updates reported to Finance & Resources Committee to approved savings are on target to deliver approved financial savings.	Chief Officers/ S95 Officer	Committee Cycle 3 2026 & Cycle 1 2027
Budget Strategy to Manage the 3 Year Position (e.g. smoothing)	The S95 Officer will consider the updated three gap and recommend a strategy to manage the position. This strategy will give due consideration to the scale of the challenge and the overall level of reserves available to support the position, and in line with the Reserves Policy.	S95 Officer	Autumn 2026
All Member & Trade Union Engagement	Ongoing engagement to keep key stakeholders informed of the financial position and to support with decision making to set a balanced budget.	Chief Executive & S95 Officer	MTFP briefing in June 2026. Further briefings to be advised with revised Financial Outlooks
Refresh of existing in-scope budget savings options	Officers will ensure there is a current list of options to support members decision making in closing future budget gaps, as required.	Chief Officers/ Finance Teams	Ongoing
Budget Report to Council	An update on the three-year financial forecast will be reported to Council which will	S95/ Political Groups	

	incorporate the Council's grant settlement as indicated by Scottish Government.		
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2.35 Continuing with the approach taken in relation to most recent years budget setting, members will be invited to a briefing session about the MTFP. This is anticipated to take place in June and will allow members the opportunity to raise any questions or queries.

3. Measures of success

Measures of success will include:

3.1 Development of solutions aligned to the Council's strategic objectives outlined in the Plan for North Lanarkshire.

3.2 Setting of a balanced budget for 2027/28 and subsequent years.

3.3 Successful and timeous implementation of approved solutions.

4. Supporting documents

- Appendix 1 Envisaged Scenario
- Appendix 2 Pessimistic Scenario
- Appendix 3 Optimistic Scenario
- Appendix 4 Summary of Movements
- Appendix 5 Revenue Resources Budget Strategy – Key Principles

Greg Telfer
Chief Officer (Finance and Technology)

5. Impacts

<p>5.1 Public Sector Equality Duty and Fairer Scotland Duty Does the report contain information that has an impact as a result of the Public Sector Equality Duty and/or Fairer Scotland Duty? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact?</p> <p>If Yes, has an assessment been carried out and published on the council's website? https://www.northlanarkshire.gov.uk/your-community/equalities/equality-and-fairer-scotland-duty-impact-assessments Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>5.2 Financial impact Does the report contain any financial impacts? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, have all relevant financial impacts been discussed and agreed with Finance? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact?</p>
<p>5.3 HR policy impact Does the report contain any HR policy or procedure impacts? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, have all relevant HR impacts been discussed and agreed with People Resources? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact?</p>
<p>5.4 Legal impact Does the report contain any legal impacts (such as general legal matters, statutory considerations (including employment law considerations), or new legislation)? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, have all relevant legal impacts been discussed and agreed with Legal and Democratic? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact?</p>
<p>5.5 Data protection impact Does the report / project / practice contain or involve the processing of personal data? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, is the processing of this personal data likely to result in a high risk to the data subject? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, has a Data Protection Impact Assessment (DPIA) been carried out and e-mailed to dataprotection@northlan.gov.uk Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>5.6 Technology / Digital impact Does the report contain information that has an impact on either technology, digital transformation, service redesign / business change processes, data management, or connectivity / broadband / Wi-Fi? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact?</p>

Where the impact identifies a requirement for significant technology change, has an assessment been carried out (or is scheduled to be carried out) by the Enterprise Architecture Governance Group (EAGG)?

Yes No

5.7 Environmental / Carbon impact

Does the report / project / practice contain information that has an impact on any environmental or carbon matters?

Yes No

If Yes, please provide a brief summary of the impact?

5.8 Communications impact

Does the report contain any information that has an impact on the council's communications activities?

Yes No

If Yes, please provide a brief summary of the impact?

5.9 Risk impact

Is there a risk impact?

Yes No

If Yes, please provide a brief summary of the key risks and potential impacts, highlighting where the risk(s) are assessed and recorded (e.g. Corporate or Service or Project Risk Registers), and how they are managed?

5.10 Armed Forces Covenant Duty

Does the report require to take due regard of the Armed Forces Covenant Duty (i.e. does it relate to healthcare, housing, or education services for in-Service or ex-Service personnel, or their families, or widow(er)s)?

Yes No

If Yes, please provide a brief summary of the provision which has been made to ensure there has been appropriate consideration of the particular needs of the Armed Forces community to make sure that they do not face disadvantage compared to other citizens in the provision of public services.

5.11 Children's rights and wellbeing impact

Does the report contain any information regarding any council activity, service delivery, policy, or plan that has an impact on children and young people up to the age of 18, or on a specific group of these?

Yes No

If Yes, please provide a brief summary of the impact and the provision that has been made to ensure there has been appropriate consideration of the relevant Articles from the United Nations Convention on the Rights of the Child (UNCRC).

If Yes, has a Children's Rights and Wellbeing Impact Assessment (CRWIA) been carried out?

Yes No

Envisaged Scenario

Appendix 1

	2027/28	2028/29	2029/30	2030/31	2031/32
	£000s	£000s	£000s	£000s	£000s
Anticipated Cost Pressures	16,800	29,080	21,650	20,350	20,880
Pay Award	20,600	20,000	14,800	14,000	14,300
Contract Inflation	5,000	4,000	3,600	3,500	3,600
Energy Costs	0	0	0	0	0
CSPs & Other Cost Pressures	2,200	6,130	4,350	4,000	4,200
Reversal of One-Off Investment	(10,000)	0	0	0	0
Income Generation-Discretionary Fees & Charges	(1,000)	(1,050)	(1,100)	(1,150)	(1,220)
Other Commitments	8,990	6,590	6,300	7,400	7,000
City Deal Commitments	290	290	0	0	0
Community Investment Fund	6,100	3,600	3,200	4,300	4,500
Loan Charges Obligations	2,600	2,700	2,100	2,100	1,500
PPP Contract Obligations	0	0	1,000	1,000	1,000
Total Cost Pressures	25,790	35,670	27,950	27,750	27,880
Less:					
Resource Forecasts	10,430	7,360	5,770	8,380	8,260
AEF adjustments - Core	3,330	2,760	1,570	3,080	2,760
2%/1% Council Tax Increase; CIF	4,112	2,183	2,130	2,201	2,241
Net Council Tax Growth inc. rebaselining adj in year 1	2,988	2,417	2,070	3,099	3,259
Budget Gap before carry fwd of unresolved gap & advanced action	15,360	28,310	22,180	19,370	19,620
Unresolved Recurring Budget Gap B/fwd	0	0	0	0	0
Revised Budget Gap before advanced action	15,360	28,310	22,180	19,370	19,620
Approved Advance Action	9,695	0	0	0	0
Approved Base Budget Adjustments	(305)	0	0	0	0
2026/27 Approved Savings now applied	(2,335)	(260)	0	0	0
Reversal of previous years use of reserves for delayed saving	2,595	260	0	0	0
One-off Use of Reserves for delayed 2026/27 approved savings	(260)	0	0	0	0
Reversal of use of Reserves for One-Off Investment	10,000	0	0	0	0
Budget Gap after approved advanced action	25,055	28,310	22,180	19,370	19,620
3 year total (26/27 to 28/29)			75,545		

Pessimistic Scenario

Appendix 2

	2027/28	2028/29	2029/30	2030/31	2031/32
	£000s	£000s	£000s	£000s	£000s
Anticipated Cost Pressures	31,820	47,561	41,230	40,741	42,530
Pay Award	34,800	37,900	33,800	34,200	35,800
Contract Inflation	5,670	4,780	4,540	4,180	4,300
Energy Costs	260	220	220	220	220
CSPs & Other Cost Pressures	1,840	5,460	3,520	3,040	3,110
Reversal of One-Off Investment	(10,000)	0	0	0	0
Income Generation-Discretionary Fees & Charges	(750)	(800)	(850)	(900)	(900)
Other Commitments	9,280	6,880	6,300	7,400	7,000
City Deal Commitments	580	580	0	0	0
Community Investment Fund	6,100	3,600	3,200	4,300	4,500
Loan Charges Obligations	2,600	2,700	2,100	2,100	1,500
PPP Contract Obligations	0	0	1,000	1,000	1,000
Total Cost Pressures	41,100	54,441	47,530	48,141	49,530
Less:					
Resource Forecasts	750	(2,260)	(3,780)	(1,090)	(1,140)
AEF adjustments - Core	(6,350)	(6,860)	(7,980)	(6,390)	(6,640)
2%/1% Council Tax Increase; CIF	4,112	2,183	2,130	2,201	2,241
Net Council Tax Growth inc. rebaselining adj in year 1	2,988	2,417	2,070	3,099	3,259
Budget Gap before carry fwd of unresolved gap & advanced action	40,350	56,701	51,310	49,231	50,670
Unresolved Recurring Budget Gap B/fwd	0	0	0	0	0
Revised Budget Gap before advanced action	40,350	56,701	51,310	49,231	50,670
Approved Advance Action	9,695	0	0	0	0
Approved Base Budget Adjustments	(305)	0	0	0	0
2026/27 Approved Savings now applied	(2,335)	(260)	0	0	0
Reversal of previous years use of reserves for delayed saving	2,595	260	0	0	0
One-off Use of Reserves for delayed 2026/27 approved savings	(260)	0	0	0	0
Reversal of use of Reserves for One-Off Investment	10,000	0	0	0	0
Budget Gap after approved advanced action	50,046	56,701	51,310	49,231	50,670
3 year total (26/27 to 28/29)				158,057	

Optimistic Scenario

Appendix 3

	2027/28	2028/29	2029/30	2030/31	2031/32
	£000s	£000s	£000s	£000s	£000s
Anticipated Cost Pressures	13,340	24,960	17,560	16,411	16,920
Pay Award	18,200	16,800	11,400	10,600	10,700
Contract Inflation	4,080	3,060	2,740	2,620	2,670
Energy Costs	(260)	(220)	(220)	(220)	(220)
CSPs & Other Cost Pressures	2,570	6,620	4,990	4,810	5,170
Reversal of One-Off Investment	(10,000)	0	0	0	0
Income Generation-Discretionary Fees & Charges	(1,250)	(1,300)	(1,350)	(1,400)	(1,400)
Other Commitments	8,990	6,590	6,300	7,400	7,000
City Deal Commitments	290	290	0	0	0
Community Investment Fund	6,100	3,600	3,200	4,300	4,500
Loan Charges Obligations	2,600	2,700	2,100	2,100	1,500
PPP Contract Obligations	0	0	1,000	1,000	1,000
Total Cost Pressures	22,330	31,550	23,860	23,811	23,920
Less:					
Resource Forecasts	20,100	17,170	15,700	18,420	18,440
AEF adjustments - Core	13,000	12,570	11,500	13,120	12,940
2%/1% Council Tax Increase; CIF	4,112	2,183	2,130	2,201	2,241
Net Council Tax Growth inc. rebaselining adj in year 1	2,988	2,417	2,070	3,099	3,259
Budget Gap before carry fwd of unresolved gap & advanced action	2,230	14,380	8,160	5,391	5,480
Unresolved Recurring Budget Gap B/fwd	0	0	0	0	0
Revised Budget Gap before advanced action	2,230	14,380	8,160	5,391	5,480
Approved Advance Action	9,695	0	0	0	0
Approved Base Budget Adjustments	(305)	0	0	0	0
2026/27 Approved Savings now applied	(2,335)	(260)	0	0	0
Reversal of previous years use of reserves for delayed saving	2,595	260	0	0	0
One-off Use of Reserves for delayed 2026/27 approved savings	(260)	0	0	0	0
Reversal of use of Reserves for One-Off Investment	10,000	0	0	0	0
Budget Gap after approved advanced action	11,925	14,380	8,160	5,391	5,480

3 year total (26/27 to 28/29)

34,465

Summary of Movements

	2027/28	2028/29	2029/30	2030/31	Appendix 4 Total
	£000s	£000s	£000s	£000s	£000s
MTFP Gap June 2025	25,956	25,355	26,063	24,915	102,289
Action Approved					
2026/27 Revenue Savings Decisions	(2,335)	(260)			(2,595)
Reversal of One-Off Investment	(10,000)				(10,000)
One off use of balances for One-off Investment	10,000				10,000
One off use of balances for Delayed Savings	2,335	260			2,595
Total Changes	0	0	0	0	0
Revised Gap per February 2025	25,956	25,355	26,063	24,915	102,289
Updated Assumptions April 2026					
<u>Cost Pressures</u>					
Pay Award	2,600	1,500	(4,300)	(5,600)	(5,800)
Contract Inflation	470	(380)	(900)	(1,130)	(1,940)
Energy Costs	(261)	(266)	(292)	(292)	(1,111)
Other Cost Pressures	(2,710)	3,151	1,209	1,126	2,776
Sales Fees & Charges	0	(50)	(100)	(150)	(300)
Community Investment Fund	200	100	0	100	400
Loan Charges	0	0	1,500	1,500	3,000
<u>Funding</u>					
AEF adjustments - Core	(1,000)	(1,000)	(1,000)	(1,000)	(4,000)
1% Council Tax Increase; CIF	(200)	(100)	(0)	0	(300)
Net Council Tax Growth	0	0	0	(100)	(100)
Movement	(901)	2,955	(3,883)	(5,546)	(7,375)
Revised MTFP Gap	25,055	28,310	22,180	19,369	94,914

3 Year Budget Gap

75,545

Revenue Resources Budget Strategy Key Principles

1) Revenue funding will be directed to the Council's key priorities

Integration of the Plan for North Lanarkshire and the Financial Plan will ensure that resources are directed towards the key priorities and that current service delivery is prudent, affordable and sustainable. Services should manage allocated revenue resources effectively and ensure delivery of previously approved savings, whilst managing unmet budget burdens, thus enabling net allocated revenue resources to be directed to delivery of current service provision. The Programme of Work is critical to delivery of the financial strategy, driving change and future financial efficiencies and savings. Any requirement for new or enhanced services should be reported either through appropriate committees or part of the budget process, to ensure there is a coherent decision-making strategy and prioritisation of resources, particularly given the ongoing future financial challenges the Council faces.

2) Three year rolling budgets will be developed

A strategy to manage the position in line with the Revenue Budget Framework will be recommended by the S95 Officer. It is recognised the strategy will require a combination of solutions and initiatives to close future budget gaps, and that mixture of shorter and longer term initiatives may be required, some of which will not deliver early financial benefits due to longer lead times. This will include the continued need for all Services to identify and deliver savings.

3) Service delivery should remain under continuous review to ensure the Council delivers best value and efficient services

Service design and delivery reviews should be informed by benchmarking and where appropriate reported for approval through a relevant Committee, in accordance with the Scheme of Administration. This will support the Council in its statutory duty to provide best value, inform decision making and allow the financial implications to be incorporated timeously into the MTFP or Financial Outlooks. Such reviews should enable service performance to be compared with other peer Local Authorities, aiming to **minimise cost, maximising income generation and potentially generating financial savings**. These reviews may mean re-prioritisation or a change in service performance, to enable the Council to deliver more of the existing services, for longer.

The Revenue Budget Framework aims to ensure there is a cohesive and joined up approach to consideration of savings, particularly where these are crosscutting. Such an approach to decision making will require strong and effective leadership, to ensure the Council remains financially sustainable.

4) Maximising income generation should be considered

The opportunities to maximise income generation should be informed by benchmarking, where appropriate, and should include implementing a Council Tax Strategy to maximise revenue resources available for service priorities. All future charging models should be informed by the principle of full cost recovery. Once charges are established on this basis, future increases will be index-linked in line with approved policies.

5) Planned and sustainable use of available balances will be considered in line with policy

Sustainable use of balances will be considered where it is prudent and affordable and in line with the Reserves Policy and the provisions contained in the Revenue Budget Framework outlined below. This may include managing the financial impact of a budget strategy, as recommended by the S95 Officer, with the aim to close future budget gaps and to support the timing of delivering approved savings.

6) Members and other key stakeholders will be actively involved in the budget process

The financial pressures facing the Council means Councillors need to make difficult decisions. To manage these challenges requires effective political leadership and communications. It is essential that all Councillors, and other key stakeholders as deemed appropriate, work effectively with officers to identify and deliver necessary savings or alternative solutions, to and meet the statutory requirement to set a balanced budget.

7) Consideration will be given to proposals to fully implement the use of participatory budgeting and opportunities to meet statutory requirements under the Community Empowerment (Scotland) Act 2015

The outcome of such considerations will inform members' decisions around the solutions to ensure the Council continues to manage the budget challenges it faces.