

North Lanarkshire Council Report

Policy and Strategy Committee

Does this report require to be approved?

☒ Yes ☐ No

Ref

GT/VR/FC

Date

05/06/25

5 Year Medium Term Financial Plan 2026/27 to 2030/31

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Executive Summary

This report provides an update on the five-year medium term financial forecast to 2030/31, 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 2025/26 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 £136.927 million over the planning period and £85.949 million for the three-year budget period, 2026/27 to 2028/29. Reflecting the other planning scenarios, the budget gap is estimated to range between £64.852 million and £263.691 million over the five-year period, and £42.034 million and £157.487 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
2026/27	17,201	34,638	53,675
2027/28	12,750	25,956	51,568
2028/29	12,083	25,355	52,245
2029/30	12,592	26,063	53,832
2030/31	10,226	24,915	52,372
Total	64,852	136,927	263,691
3 Year Gap	42,034	85,949	157,487

Recommendations

It is recommended that the Policy and Strategy Committee:

- (1) Approves the updated Medium Term Financial Plan 2026/27 to 2030/31.
 - (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 2025/26 approved budget position as the new baseline, key financial planning assumptions have been reviewed and updated and are reflected in this plan. A range of risk-based outcomes continued to be modelled highlighting optimistic, envisaged and pessimistic scenarios.
- 1.3. The two 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. The latest Economic Forecast by the Office for Budget Responsibility (OBR) anticipates that whilst inflation will rise during 2025, it

is expected that it will fall back to target of 2% from 2027 on the basis that energy prices decline, food inflation decreases and wage growth settles.

- 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 HRA has aligned their financial planning processes with the Council's, introducing a rolling 5 medium term financial plan in 2024/25. This outlines the challenges faced by the HRA in maintaining medium term financial sustainability whilst achieving its desired service ambitions.
 - 1.7. The IJB approved their MTFP 2025-2028 including the Long-Term Outlook 2025-2035 in March 2025. This highlighted the importance of IJB focusing on the longer-term financial challenges and to generate reserves where appropriate to assist in managing required savings and service redesign, ensuring the needs of service users and their families are met. 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.
 - 1.8. It should be noted that a five-year medium-term plan continues to remain reasonable and appropriate for financial planning purposes.
 - 1.9. A Revenue Budget Framework to support the delivery of a balanced budget for 2026/27 is also provided.
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2. Report

- 2.1 The previous MTFP approved by this Committee in June 2024 indicated a three year gap for the period 2026/27 to 2028/29 of £59.484 million (2026/27, £21.320 million, 2027/28 £19.095 million and 2028/29 £19.433 million). This position is updated for the approved 2025/26 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 2026/27 to 2028/29. 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

- 2.3 The largest element of the Scottish Budget is the Scottish Block Grant provided by the UK Government through the Barnett formula. The UK Spending Review is the process by which the UK Government sets out its plans for public spending. This provides vital information for the Scottish Government's planning assumptions and budget. The Spring Statement in March 2025 provided an update on the economy. Based on the Office for Budget Responsibility (OBR) forecasts, inflation is expected to be higher than previously projected during 2025 with a gradual return to the Bank of England's target of 2% by 2027. Whilst no date has been set for the next spending review, it is expected to take place in the Autumn.

Aggregate External Finance (AEF)

- 2.4 The Council's revenue funding consists largely of government funding, Aggregate External Finance (AEF) equates to approximately 83% of total funding and is made up of General Revenue Grant based on the Scottish Government's assessment of overall spending needs, Specific Grant and Non-Domestic Rates Income.
- 2.5 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 £9.000 million) on the Council's forecast financial position.
- 2.6 The Scottish Government published its Resource Spending Review in May 2022, which set out high level parameters for future Scottish budgets up to 2026/27. This confirmed a flat lining of resource funding for Local Government at 2022/23 levels, to 2025/26, with a small increase forecast in 2026/27. In addition, in May 2023, the Scottish Government published its updated Medium-Term Financial Strategy (MTFS) for the period from 2023/24 to 2027/28, providing insight to future funding and spending priorities at a national level. Whilst there was no update to the MTFS in 2024, the Cabinet Secretary for Finance and Local Government has also now confirmed that the 2025 MTFS update and accompanying Fiscal Sustainability Delivery Plan (FSDP) will be delayed until 23 June. However, based on the most likely scenario, the most recent version of MTFS available indicates increasing taxation, block grant and other revenues over the period to 2027/28, funding is not forecast to keep pace with expenditure demands. Therefore, it is anticipated that the Scottish Government will continue to have to make difficult and prioritised spending decisions across the full period covered by their MTFS. Given that Local Government is unlikely to be prioritised as part of the Scottish Government's budget decisions, there is an increasing risk to the previous flat cash commitment.
- 2.7 Nonetheless, there is no clarity over this position nor the funding at individual Council level, or whether this funding will come with additional spending commitments. In the absence of any further updates this plan continues to assume a flat lining of government funding. All three scenarios have been re-baselined to reflect the 2025/26 AEF as reported in the approved 2025/26 budget and updated for subsequent finance circular movements. The envisaged scenario assumes no movement in the re-baselined 2025/26 core grant for the duration of this plan. The optimistic and pessimistic scenarios have been flexed to 1% increase/decrease respectively.
- 2.8 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 commitment is net of such adjustment. In addition, historically the Scottish Government provided Local Authorities with support for loan charges and PPP Payments for borrowing undertaken in lieu of large capital grants. However, 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, however, assumes that the overall Local Government quantum will remain static therefore any reduction in loan charges and PPP support will be redistributed across all 32 Local Authorities. Based on the council's average share of funds it is anticipated that over the term of this plan there will be a net gain of £8.570 million. There is, however, a risk that this 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

- 2.9 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.
- 2.10 In setting the 2025/26 budget, members acknowledged the Council Tax Strategy report taken to Policy and Strategy Committee on 5 December 2024 highlighting that North Lanarkshire had the 5th lowest Band D charge across the 32 local authorities. As a result, the Council took the decision to approve a 10% increase to Council Tax, resulting in an increased Band D charge of £1,452.86. The Council also agreed to set aside 2% of the Council Tax increase for additional capital investment through the Community Investment Fund. This plan assumes that in line with the Council Tax Strategy report, that this will be committed for 3 years from 2025/26 to 2027/28 and return to 1% thereafter. This provides £14.154 million of additional resources over the five year planning period and £9.823 million over the 3 year budget period.
- 2.11 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 £3.072 million of Council Tax income in 2026/27, and £13.546 million over the course of the planning period. This includes assumed additional income from household growth ringfenced for the CIF programme of £8.604 million.

Use of Reserves / Resources

- 2.12 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.
- 2.13 This plan recognises the reversal of the 2025/26 one-off use of reserves approved to offset any additional cost arising from the increase to employers national insurance up to £4.400 million. Since the Council meeting, further calculations have indicated that the cost to the Council is lower than first anticipated, this combined with a higher than expected share of Scottish Government funding has resulted in a reduced call on one off use of reserves of £2.341m. In addition, one of use of reserves (£1.730 million) approved to offset the increased pressure on Council Tax Reduction Scheme as a result of the 10% Council Tax increase has reversed within the 2026/27 position.

Forecast Expenditure & Income Generation

Employee Cost Pressures

2.14 Employee costs remain the largest single element of the General Fund budget, accounting for a significant proportion of the General Fund budgeted expenditure in 2025/26. Cost pressures linked to the workforce are therefore material and a key variable which has the potential to impact significantly on the forecast plan. Information on the 2025/26 pay negotiations, as well forecast future employee cost pressures is outlined below.

2.14.1 Pay Award 2025/26

- As negotiations in relation to the 2025/26 pay award are ongoing there remains a real degree of uncertainty in relation to the total cost of any agreement to be borne by Local Authorities. As a result, no change has been made in relation to these costs from that presented in the most recent outlook presented to Council in February 2025. There is potential that COSLA will expect parity with offers made elsewhere in the public sector including the offer made to NHS staff of 8% over two years. However, the expectation is that the Scottish Government would provide necessary funding to support an increased offer. Crucially though, any agreement for 2025/26 pay award has the potential to impact the baseline position used to forecast the cost from 2026/27 onwards. Therefore, this will be kept under review as the negotiations progress and an update will be incorporated into a future Financial Outlook, as required.

2.14.2 Pay Award – Future Years Summary

- For the period of this plan, future pay awards are based on the Council funding an increase of 3%, reflecting the Public Sector Pay agenda of 9% over 3 years to 2027/28. A total provision of £19.600 million is estimated for 2026/27. Total provision over the next 3 years is anticipated to be £56.100 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 £17.100 million to £32.000 million in 2026/27 or between £47.300 million and £101.100 million over the next 3 years. Furthermore, as previously advised the plan includes provision for a permanent reduction in pension contributions as a result of the most recent triennial revaluation of the Strathclyde Pension Fund. Reflecting the assumptions on pay award as noted above, a reduction in pension costs of £4.300 million is now anticipated in 2026/27. Pay award assumptions will remain under review as negotiations continue, and Financial Outlooks will be updated, as appropriate.

Non Pay Inflationary Pressures

- 2.15 The assumptions from 2026/27 onwards reflect on the OBR's most recent economic forecast at March 2025 and the latest Bank of England forecast for inflation at February 2025, indicating a downward trajectory towards 2% over the medium term.
- 2.16 Historically non-pay inflationary uplifts based on forecast relevant inflationary indices, have only been provided where deemed material and contractual in nature. This continues to be the case in this update to the MTFP. As a result, total contract inflationary pressures of £4.550 million in 2026/27 and £22.590 million over the 5 year period of the plan, are assumed.
- 2.17 Whilst energy costs have increased significantly over recent years there is evidence to suggest that contract prices negotiated for energy pre-purchased have reduced. There still remains a great deal of uncertainty however it is deemed reasonable to remove additional cost pressures for energy provided by the previous version on the plan, on

the basis that costs can be managed in the medium term within existing budgets. The budgetary requirements for future years will be kept under review with an update provided in future Financial Outlooks or MTFP updates as required.

Other Cost Pressures

- 2.18 Continuing Service Pressures (CSPs) of £2.500 million in 2026/27 has been reflected which represents the second year of commitment to recognise the increased cost of ASN activity as a result of emerging and future demand.
- 2.19 Other cost pressures totalling £18.883 million over the five years are also provided for. These predominantly relate to assumed increased costs of Council Tax Reduction Scheme associated with a Council Tax increase. In addition, provision is made for increased non-domestic rates costs, and other minor emerging service budget burdens.

Other Commitments

- 2.20 There is provision for loan debt costs in relation to the Community Investment Programme, including City Deal, which equates to £6.190 million in year 1 of the plan and £23.570 million across the planning period.
- 2.21 In addition, as advised in the 2025/26 MTFP update, 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. 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, therefore this plan does not change the provisions previously made.
- 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 four and five of this plan reflects an additional cost of £1.000 million. 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 2026/27, in line with the approved policy to uplifted prices by 5% each year. The optimistic and pessimistic scenarios assume a slightly adjusted base for 2026/27 of £1.250million 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 £2.030 million across the term of the plan. However, the plan also recognises the impact of prior year decisions to use one of resources to assist with the implementation of savings which result in a cost pressure of £2.948 million in 2026/27.

- 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 The Council's unallocated balances continue to be closely monitored. 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.

Summary – Medium Term Financial Forecasts

- 2.27 In summary, the envisaged scenario indicates a budget gap of £136.927 million over the five-year planning period and £85.949 million for the three-year budget period 2026/27 to 2028/29. Further details are contained within Appendix 1. Appendices 2 and 3, summarise the forecast pessimistic and optimistic scenarios indicating the gap could range between £64.852 million and £263.691 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 2024.

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 the budget strategy proposed by the S95 Officer in setting the 2024/25 budget made an assumption around Council Tax increases over the three year period, with the potential to materially reduce the forecast budget gaps and therefore ultimately the savings requirement. It is intended that the S95 Officer will present an update to the Council Tax Strategy to Policy and Strategy Committee in December 2025. However, should a similar approach be recommended for the 2026/27 to 2028/29 three year budget, members are reminded that an annual Council Tax increase between 5% and 10% is estimated to generate additional income between £12.600 million £22.100 million. The equivalent of £37.800 million and £66.300 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 UK and Scottish Government levels as a result of elections, and the financial consequences of this on Local Government, along with climate change commitments.
- 2.32 Other current notable risks previously reported include;

- 2.32.1 Ash tree dieback linked to a disease which could cause significant damage to the UK's ash population. As has been previously recently reported to Committee, there has been some capital funding allocated to support the cost in managing the diseased species. However, there is a still a risk that revenue resources are required in respect of this issue.
- 2.32.2 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.
- 2.32.3 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 an analysis report of the findings is expected to be made available in due course. There is no immediate impact to the Council from this. If the powers were to be enacted in Scotland, any decision to use those powers would be subject to normal decision-making processes where any financial impact would be taken into account.

Revenue Budget Strategy Update

- 2.33 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 however provides members with a summary of the principles as a reminder.

Revenue Budget Framework

- 2.34 Aligned to the MTFP and Revenue Budget Strategy principles, Table 2 below provides an outline framework to govern the 2026/27 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 2025 and January 2026

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 2025 & Cycle 1 2026
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	September 2025
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 2025. Further briefings to be advised with revised Financial Outlooks
Review other Councils' approaches to identification of savings	Aligned with Principle 2 & 3 above and informed by benchmarking; research other LAs approach to savings to ensure NLC maximises all opportunities for efficiencies, savings, or income generation.	CMT	October 2025
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 incorporate the Council's grant settlement as indicated by Scottish Government.	S95/ Political Groups	

2.42 Continuing with the approach taken in relation to the 2025/26 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.

Integration Joint Board Medium Term Financial Plan

2.43 Table 3 below details the budget gap highlighted within the IJB MTFP approved in March 2025, 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

	IJB Envisaged Budget Gap £000	NLC Envisaged Budget Gap £000
2025/26	14,729	
2026/27	18,322	34,638
2027/28	18,804	25,956
2028/29		25,355
3 Yeah Gap	51,855	85,949

- 2.44 The Council continue 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 26/27 and beyond.

3. Measures of success

- 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 2026/27 and subsequent years.
- 3.3 Successful and timeous implementation of approved solutions.

4. Supporting documents

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| 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

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? 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"/>
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?
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?
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?
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"/>
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)?</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>5.7</p>	<p>Environmental / Carbon impact</p> <p>Does the report / project / practice contain information that has an impact on any environmental or carbon matters?</p> <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>If Yes, please provide a brief summary of the impact?</p>
<p>5.8</p>	<p>Communications impact</p> <p>Does the report contain any information that has an impact on the council's communications activities?</p> <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>If Yes, please provide a brief summary of the impact?</p>
<p>5.9</p>	<p>Risk impact</p> <p>Is there a risk impact?</p> <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>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?</p>
<p>5.10</p>	<p>Armed Forces Covenant Duty</p> <p>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)?</p> <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>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.</p>
<p>5.11</p>	<p>Children's rights and wellbeing impact</p> <p>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?</p> <p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>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).</p> <p>If Yes, has a Children's Rights and Wellbeing Impact Assessment (CRWIA) been carried out?</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>

Envisaged Scenario
Appendix 1

	2026/27 £000s	2027/28 £000s	2028/29 £000s	2029/30 £000s	2030/31 £000s
Anticipated Cost Pressures	26,330	26,701	25,125	26,033	26,395
Pay Award	19,600	18,000	18,500	19,100	19,600
Pension Costs	(4,300)	0	0	0	0
Other Employee Costs; first stage review of pay and grading mode	0	0	0	0	0
Contract Inflation	4,550	4,530	4,380	4,500	4,630
Energy Costs	0	261	266	292	292
CSPs	2,500	0	0	0	0
Other Cost Pressures	4,980	4,910	2,979	3,141	2,873
Income Generation-Discretionary Fees & Charges	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Other Commitments	9,490	8,790	6,490	4,800	5,800
City Deal Commitments	290	290	290	0	0
Community Investment Fund	5,900	5,900	3,500	3,200	4,200
Loan Charges Obligations	2,400	2,600	2,700	600	600
PPP Contract Obligations	0	0	0	1,000	1,000
SPF cost reduction	28,300	0	0	0	0
New Investment; Community Hubs CFCR	(23,416)	0	0	0	0
Use of one off to smooth budget	(3,984)	0	0	0	0
Total Cost Pressures	35,820	35,491	31,615	30,833	32,195
Less:					
Resource Forecasts	8,730	9,230	6,260	4,770	7,280
AEF adjustments - Core	1,830	2,330	1,760	570	2,080
1% Council Tax Increase; CIF	3,828	3,912	2,083	2,130	2,201
Net Council Tax Growth inc. rebaselining adj in year 1	3,072	2,988	2,417	2,070	2,999
Budget Gap before carry fwd of unresolved gap & advanced action	27,090	26,261	25,355	26,063	24,915
Unresolved Recurring Budget Gap B/fwd	3,984	0	0	0	0
Revised Budget Gap before advanced action	31,074	26,261	25,355	26,063	24,915
Approved Advance Action	3,564	(305)	0	0	0
Approved Base Budget Adjustments	(507)	(305)	0	0	0
2024/25 Approved Savings now applied	(1,218)	0	0	0	0
Reversal of previous years use of reserves for delayed saving	1,218	0	0	0	0
Use of Reserves for CTR impact of CTAX	1,730	0	0	0	0
Use of Reserves for eNIC shortfall	2,341	0	0	0	0
Budget Gap after approved advanced action	34,638	25,956	25,355	26,063	24,915
3 year total (26/27 to 28/29)	85,949				

Pessimistic Scenario

Appendix 2

	2026/27	2027/28	2028/29	2029/30	2030/31
	£000s	£000s	£000s	£000s	£000s
Anticipated Cost Pressures	38,850	42,982	42,754	44,902	46,632
Pay Award	32,000	33,600	35,500	37,400	39,500
Pension Costs	(4,400)	0	0	0	0
Other Employee Costs; first stage review of pay and grading mode	0	0	0	0	0
Contract Inflation	5,350	5,400	5,300	5,470	5,650
Energy Costs	255	523	536	552	552
CSPs	2,500	0	0	0	0
Other Cost Pressures	3,895	4,210	2,168	2,230	1,680
Income Generation-Discretionary Fees & Charges	(750)	(750)	(750)	(750)	(750)
Other Commitments	10,880	9,080	6,780	4,800	4,200
City Deal Commitments	580	580	580	0	0
Community Investment Fund	5,900	5,900	3,500	3,200	4,200
Loan Charges Obligations	2,400	2,600	2,700	600	0
PPP Contract Obligations	0	0	0	1,000	0
SPF cost reduction	29,400	0	0	0	0
New Investment; Community Hubs CFCR	(23,416)	0	0	0	0
Use of one off to smooth budget	(3,984)	0	0	0	0
Total Cost Pressures	49,730	52,062	49,534	49,702	50,832
Less:					
Resource Forecasts	(380)	190	(2,710)	(4,130)	(1,540)
AEF adjustments - Core	(7,280)	(6,710)	(7,210)	(8,330)	(6,740)
1% Council Tax Increase; CIF	3,828	3,912	2,083	2,130	2,201
Net Council Tax Growth inc. rebaselining adj in year 1	3,072	2,988	2,417	2,070	2,999
Budget Gap before carry fwd of unresolved gap & advanced action	50,110	51,872	52,244	53,832	52,372
Unresolved Recurring Budget Gap B/fwd	3,984	0	0	0	0
Revised Budget Gap before advanced action	54,094	51,872	52,244	53,832	52,372
Approved Advance Action	3,564	(305)	0	0	0
Approved Base Budget Adjustments	(507)	(305)	0	0	0
2024/25 Approved Savings now applied	(1,218)	0	0	0	0
Reversal of previous years use of reserves for delayed saving	1,218	0	0	0	0
Use of Reserves for CTR impact of CTAX	1,730	0	0	0	0
Use of Reserves for eNIC shortfall	2,341	0	0	0	0
Budget Gap after approved advanced action	53,674	51,567	52,244	53,832	52,372
3 year total (26/27 to 28/29)	157,485				

Optimistic Scenario

Appendix 3

	2026/27	2027/28	2028/29	2029/30	2030/31
	£000s	£000s	£000s	£000s	£000s
Anticipated Cost Pressures	22,177	22,706	21,183	22,002	22,847
Pay Award	17,100	14,900	15,300	15,700	16,100
Pension Costs	(4,300)	0	0	0	0
Other Employee Costs; first stage review of pay and grading mode	0	0	0	0	0
Contract Inflation	3,720	3,660	3,470	3,550	3,630
Energy Costs	(256)	4	7	9	9
CSPs	2,500	0	0	0	0
Other Cost Pressures	4,663	5,391	3,656	3,994	4,358
Income Generation-Discretionary Fees & Charges	(1,250)	(1,250)	(1,250)	(1,250)	(1,250)
Other Commitments	9,290	8,790	6,490	4,800	4,200
City Deal Commitments	290	290	290	0	0
Community Investment Fund	5,900	5,900	3,500	3,200	4,200
Loan Charges Obligations	2,400	2,600	2,700	600	0
PPP Contract Obligations	0	0	0	1,000	0
SPF cost reduction	28,100	0	0	0	0
New Investment; Community Hubs CFCR	(23,416)	0	0	0	0
Use of one off to smooth budget	(3,984)	0	0	0	0
Total Cost Pressures	31,467	31,496	27,673	26,802	27,047
Less:					
Resource Forecasts	17,830	18,440	15,590	14,210	16,820
AEF adjustments - Core	10,930	11,540	11,090	10,010	11,620
1% Council Tax Increase; CIF	3,828	3,912	2,083	2,130	2,201
Net Council Tax Growth inc. rebaselining adj in year 1	3,072	2,988	2,417	2,070	2,999
Budget Gap before carry fwd of unresolved gap & advanced action	13,637	13,056	12,083	12,592	10,227
Unresolved Recurring Budget Gap B/fwd	3,984	0	0	0	0
Revised Budget Gap before advanced action	17,621	13,056	12,083	12,592	10,227
Approved Advance Action	3,564	(305)	0	0	0
Approved Base Budget Adjustments	(507)	(305)	0	0	0
2024/25 Approved Savings now applied	(1,218)	0	0	0	0
Reversal of previous years use of reserves for delayed saving	1,218	0	0	0	0
Use of Reserves for CTR impact of CTAX	1,730	0	0	0	0
Use of Reserves for eNIC shortfall	2,341	0	0	0	0
Budget Gap after approved advanced action	17,201	12,751	12,083	12,592	10,227
3 year total (26/27 to 28/29)	42,035				

	2026/27	2027/28	2028/29	2029/30	Appendix 4 Total
	£000s	£000s	£000s	£000s	£000s
MTFP Gap June 2024	21,320	19,095	19,433	18,675	78,523
Action Approved					
2024/25 Pay Award	100	200	200	100	600
Adjustment to future year pay assumptions	6,000	6,200			12,200
Non Pay inflation assumptions	680	140	30	(170)	680
Committee/Council Decisions	(174)	(305)			(479)
One off use of balances	4,400				4,400
Total Changes	11,006	6,235	230	(70)	17,401
Revised Gap per February 2025	32,326	25,330	19,663	18,605	95,924
Updated Assumptions April 2025					
<u>Cost Pressures</u>					
Pay Award	1,900	(100)	6,400	6,800	15,000
Pension Costs	(100)				(100)
Contract Inflation	630	630	580	720	2,560
Energy Costs	(416)	(163)	(167)	(183)	(929)
Other Cost Pressures	2,720	2,510	449	471	6,150
Sales Fees & Charges	50	110	160	220	539
Community Investment Fund	3,200	2,900	500	(200)	6,400
<u>Funding</u>					
AEF adjustments - Core	(1,830)	(2,330)	(1,760)	(570)	(6,490)
2%/1% Council Tax Increase; CIF	(2,008)	(2,042)	(153)	(240)	(4,443)
Net Council Tax Growth inc. rebaselining adj in year	(1,172)	(888)	(317)	440	(1,937)
<u>Impact of Approved Actions</u>					0
Approved Base Budget Adjustments	(333)				(333)
Reversal of use of Reserves for CTR impact of CTAX	1,730				1,730
Reversal of use of Reserves for eNIC shortfall	(2,059)				(2,059)
Movement	2,312	626	5,692	7,458	16,088
Revised MTFP Gap	34,638	25,956	25,355	26,063	112,012
3 Year Budget Gap			85,949		

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.