

REPORT TO:	Council		
DATE:	27 February 2025		
PORTFOLIO:	Councillor Noordad Aziz/Councillor Vanessa Alexander - Finance and the Budget Process		
REPORT AUTHOR:	Martin Dyson, Executive Director (Resources)		
TITLE OF REPORT:	Medium Term Financial Strategy 2025/2026 to 2027/2028		
EXEMPT REPORT (Local Government Act 1972, Schedule 12A)	No	Not applicable	
KEY DECISION:	Yes	If yes, date of publication:	

1. PURPOSE OF REPORT

- 1.1 The report informs the Council of the 3-year projections of income and expenditure for the Council ahead of formulating its 2025/28 Revenue and Capital Budgets.

2. RECOMMENDATION(S)

- 2.1 The Council approves the report and the accompanying Medium Term Financial Strategy (MTFS).

3. SUMMARY

- 3.1 The Medium-Term Financial Strategy is attached to this report.

4. DETAIL

- 4.1 See the attached report on the Medium-Term Financial Strategy.

5. REASONS FOR RECOMMENDATIONS

- 5.1 The Council requires an update on its medium-term financial outlook ahead of setting the Budget for 2025/26 and determining the level of Council Tax for the new financial year.

6. ALTERNATIVE OPTIONS CONSIDERED AND THE REASONS FOR REJECTION

6.1 Not applicable

7. BUDGET IMPLICATIONS

7.1 As outlined in the report.

8. LINKS TO CORPORATE PRIORITIES

8.1 The Medium-Term Financial Strategy links to all corporate priorities in determining the funding levels for expenditure for the 3 years ahead.

9. LEGAL IMPLICATIONS

9.1 Not applicable.

10. RISKS

10.1 The Report contributes to the effective risk management of the Council by contributing to the overall financial context in which the Council takes budgetary and other operational decisions.

10.2 The Medium-Term Financial Strategy is revised on a regular basis to ensure it remains current and that changes in the financial outlook of the Council over the Medium Term are communicated to Members and appropriate action taken.

11. EQUALITY IMPACT ASSESSMENT

11.1 There are no specific measures within the report that require an Equality Impact Assessment. Individual proposals stemming from the budgetary process will be Equality Impact Assessed as required over the coming months.

12. CONSULTATIONS

12.1 Service Managers and their key staff are consulted during the early work on the compilation of the MTFS. CMT and Senior Councillors are regularly engaged in formulating forward views and policy objectives and these are taken into consideration when formulating the MTFS.

13. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

13.1 This Report should be read in conjunction with the other finance reports presented to the Council meeting on the 27th February 2025. The relevant reports are listed below and can be found by accessing the Council's website.

Prudential Indicators Monitoring & Treasury Management Strategy 2025/26 to 2027/28

Revenue Budget Report 2025/26

14. FREEDOM OF INFORMATION

- 14.1 The report does not contain any exempt information under the Local Government Act 1972; Schedule 12a and all information can be disclosed under the Freedom of Information Act 2000.

A nighttime photograph of a street scene in Hyndburn. On the left, a grand stone building with classical columns is illuminated with purple light. The street is filled with people, and string lights are strung across the sky. The overall atmosphere is vibrant and modern.

MEDIUM TERM

FINANCIAL STRATEGY

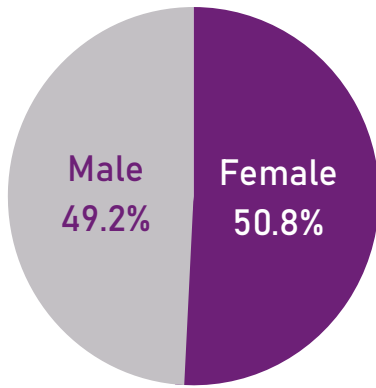
2025-2028

FOR AN AMBITIOUS AND SUSTAINABLE

HYNDBURN FUTURE

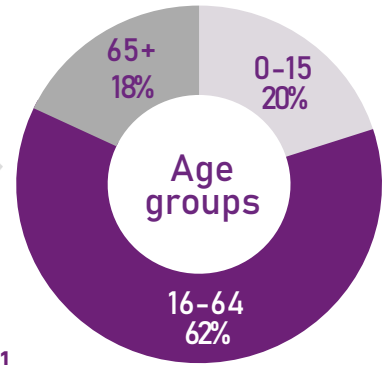
HYNDBURN IN A SNAPSHOT

Population of
82,234



34,791
Households

450 more than in 2011



Milnshaw Park
Eleven of Hyndburn parks have a Green Flag



Mercer Memorial Clock Tower
The tower is lit up to mark various, diverse events



Fairy Caves
A battery of coke ovens that are part of the area's industrial past

White	82.7%
Pakistani	13.2%
Other Asian	0.8%
White and Asian	0.7%
Bangladeshi	0.6%

TOP 3 LANGUAGES SPOKEN

1. English
2. Panjabi
3. Polish

91% of residents born in the UK



One in five people are disabled.

Defined as a physical or mental impairment that has a substantial negative effect on day-to-day

Employment profile

68.5% Economically active
66.7% Employed
4.9% Unemployed
(model-based)

63.4% of residents have an RQF level 3 or above

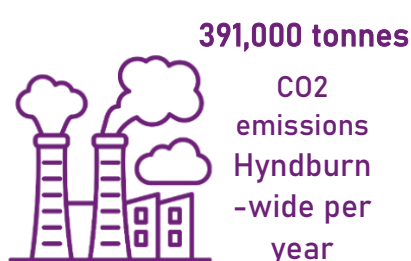


i.e. A-Level equivalent or above

£ **657.80**

£72 less than the national gross weekly pay

Organisations with close links:



CORPORATE STRATEGY



Sustainable Growth:

To support employment & business growth, revitalise Accrington Town Centre and deliver housing growth while balancing growth with sustainability.

Environment & Climate Change:

To make the Council's activities and operations net zero by 2030, develop and implement an access for all environment

with open green spaces and work towards reducing fuel poverty by encouraging the reduction in domestic home energy

Community & Collaborative Working:

Work collaboratively with our partners supporting the local communities addressing health inequalities and celebrating our culture and heritage.

CORPORATE VALUES:



SUMMARY

- 1.1 The Council's activities and finances have been dominated this year by the focus on continuing to deliver its major capital projects which have included the Levelling Up / Town Centre regeneration, its Leisure transformation through the construction of the new Leisure centre at the Wilson playing fields site and securing almost £30m in funding to facilitate the development of over 1,800 new homes at Huncoat. These activities have been carried out alongside of ensuring it delivers its day-to-day services and other key strategic projects.
 - 1.2 It is expected that these key events and their impact on the Council's finances will continue over the next few financial years, with the potential for the effects to continue much longer.
 - 1.3 The Council will operate a roll forward Budget for 2025/26 based on the 2024/25 Budget with adjustments for changes to salary and wages, energy and other cost pressures. This provides Service Managers the ability to respond to inflationary pressures and allows a degree of stability for 2025/26. To achieve a balanced Budget, the Council will need to generate £163,900 of internal savings during the year. Overall expenditure will need to be contained at around £17.314m in 2025/26 to set a balanced budget.
 - 1.4 If necessary, the Council may have to use some of its Reserves to help balance the Budget. This is particularly likely if the Government reduces the amount of financial support it provides the Council or reduces the amount of Business Rates it is allowed to retain.
- Additionally, it may be necessary to use Reserves if it is believed that in the current economic climate it would be inappropriate to raise Council Tax.
- 1.5 The Council will face significant financial challenges over the next three years as it overcomes the consequence of both national and global issues. Addressing the impact of any proposed Government funding reforms and increased pressures on spending will present it with further challenges over this period. As the extent of the Government financial reforms are unclear at this time, this produces great uncertainty and potentially significant variance around the forecasts contained in the MTFS.
 - 1.6 With the change in government in May 2024, the new Deputy Prime Minister and Secretary of State for Housing, Communities and Local Government has stated that there is a vision for change, with local government at its very heart, although there are no illusions about the scale of problems facing local government with funding cuts since 2010 disadvantaging the most deprived areas. And has stated that the government will reform how councils are funded and will deliver funding where it is needed most. As a result, 2026-27 will mark the first multi-year funding settlement for local government in ten years.
 - 1.7 Central Government have indicated that there will be significant reform of funding for Local Government before the 2026/27 Finance Settlement is produced, as well as a reset of the business rates system. Therefore, there are high levels of uncertainty over funding for future

CONT. SUMMARY

years, which we do not have enough information to be able to accurately predict at the current time. Should the future funding changes reduce the income received from Central Government, the Council would need to take tough decisions around the future shape of its services.

- 1.8 As a consequence, the modelling now recognises that there is a real possibility that continuation of Government funding at current levels may be the most likely outcome over the next few years of all the potential different scenarios that could occur. However, many of the drivers around any reform in the finances of Local Government still exist. Government have indicated they wish to reallocate funding to reflect an updated assessment of local need and revenues to no move away from the previous funding allocations that seemed to disadvantage the deprived areas with the greatest need.
- 1.9 This presents the Council with two very different future budget scenarios. The first is a scenario in which funding from Government remains largely in its current shape and where the Council while under financial pressure from high pay inflation and a steep rise in its energy costs, should be able to largely cope. While the second scenario, sees reform of local government finance, with a wide range of possible outcomes for the Council potentially occurring, from changes that are relatively small in consequence, all the way through a whole series of potential results some of which would be large and very dramatic in terms of the challenges it presented to the Council.
- 1.10 These two scenarios are modelled within the report. The more severe of the two, as the Pessimistic Scenario and the other as the Standard Model. A third model is also presented which indicates the Council's potential position if the Government chose to provide local government with an injection of cash over and above current levels and locally the Council was able to boost its own tax revenue as a consequence of a buoyant tax base. This Optimistic model is considered to have a much lower probability of occurring compared to the other two models but is provided to illustrate the wide range of potential outcomes.
- 1.11 In these circumstances, it is prudent for the Council to look to increase its reserves and revenue streams such as Council Tax and Business Rates whenever it can and to avoid committing to any new revenue expenditure while continuing to concentrate on its work to reduce internal costs.

ELEMENTS OF THE MTFS

FORECASTING RESOURCES

The Medium-Term Financial Strategy needs to be underpinned by sound forecasting mechanisms for the likely resources available to the Authority over a three-year period. The Cabinet receives reports on the achievement of the financial plan with future projections for the following three years at regular intervals.

BUDGET MONITORING &

FORECASTING COMMITMENTS

Budget monitoring reports and forecast commitments are reported to Cabinet and are developed as the year progresses. As are ways of balancing resources with any new commitment if they occur outside the original financial plan.

CORPORATE STRATEGIC

DIRECTION & PRIORITIES

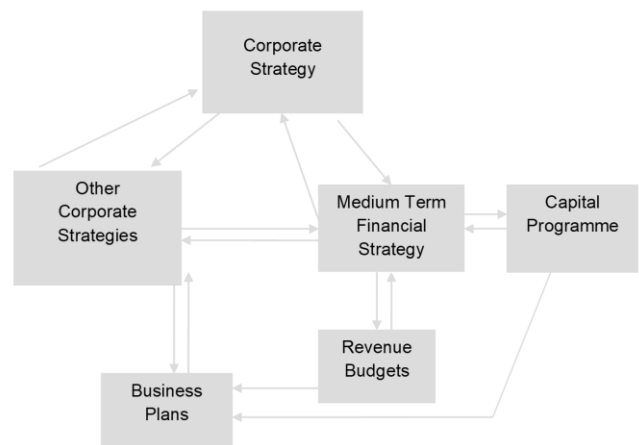
OF THE COUNCIL

In the context of the Medium-Term Financial Strategy (MTFS) the Council has a clear hierarchy of strategy documents (see chart below) headed by the Corporate Strategy which sets out the vision and high-level priorities for the Council. The Corporate Strategy drives the MTFS with details of committed events and their budget implications. These commitments are reflected in accordance with the Budget and Policy Framework Rules and consequently in Services' Business Plans. This hierarchy of plans gives clear direction on the Council's priorities and actions.

It is for the Cabinet, subject to an overall decision by the Council, to recommend precisely which areas are their priorities to

receive additional investment and which will receive less in the light of such priorities. This process reaches its natural conclusion in the Annual Budget Report.

STRATEGY HIERARCHY



THE PERFORMANCE MANAGEMENT

FRAMEWORK

The Performance Management Framework sets out how the Council delivers key outcomes and commitments for Hyndburn customers, providing a clear vision and a cycle of continuous planning, monitoring, scrutiny, learning and improvement. The Framework exists to help officers, elected members and partners to understand how the Council monitors performance and their individual role in achieving our priorities and commitments.

BACKGROUND

- 2.1 The MTFS covers the period from 2025/26 to 2027/28. Our financial position over the last few years had been dominated by continuing global financial volatility stemming from the War in Ukraine and significant levels of high inflation and price rises, although indications are that prices and inflation are beginning to fall over the next few years. The Council has been fortunate in being able to manage within its resources by achieving high investment returns and good budget management to achieve a positive economic outlook.
- 2.2 The recent government change, indicate a strong possibility that reforms to local government finance will take place from the 2026/2027 finance settlements and the Council has also benefitted from a higher-than-expected settlement in 2025/2026. The Standard Model now assumes only inflationary growth over the period of the MTFS. While the Pessimistic Model envisages the reforms will have no growth in funding over the period of the MTFS. The Optimistic Model envisages that proposed reforms are implemented and the Government increases direct financial support to the Council over this period.
- 2.3 Therefore, beyond 2025/26, we still face a high degree of uncertainty over the level of our funding, as we await the outcome of the Government's deliberations around reshaping local government funding and the impact this has on the level of resources Hyndburn will receive in terms of its Government Grants and Business Rates.
- 2.4 Until the Government provides local councils with information on how much it will receive and how the funds will be distributed, Hyndburn and all other local authorities are forced to rely on estimates of future revenue streams which may be wide of the mark.
- 2.5 Additionally, whatever path the Government might wish to pursue, it may be blown off course significantly if any one of the listed risks crystallises or other new shockwaves cause significant disturbance to the Global Economy or Britain's overall financial position as has occurred over the last few years.
- 2.6 The Medium-Term Financial Strategy usually assumes that the Council is able to deliver its current year Budget as planned. Despite the continuing extraordinary budget pressures on the Council in 2024/25, the Council looks as if it will be able to deliver its Budget within the planned resources. Having managed to deliver a balanced budget for 2023/24 and it now appearing we can deliver one again in 2024/25, the Medium-Term Financial Strategy assumes we will be able to continue to do so over the next three years, should the Council adopt a savings and transformation plan that will be closely monitored and reported to Cabinet.
- 2.7 The last few years have demonstrated that it is critical that the Council maintains the appropriate levels of reserves. The same wide range of potential threats to our long-term financial viability remain with the impact of continuing national and global issues. Therefore, a general reserve level of around £1m remains important for the

CONT. BACKGROUND

Council to retain given the external environment.

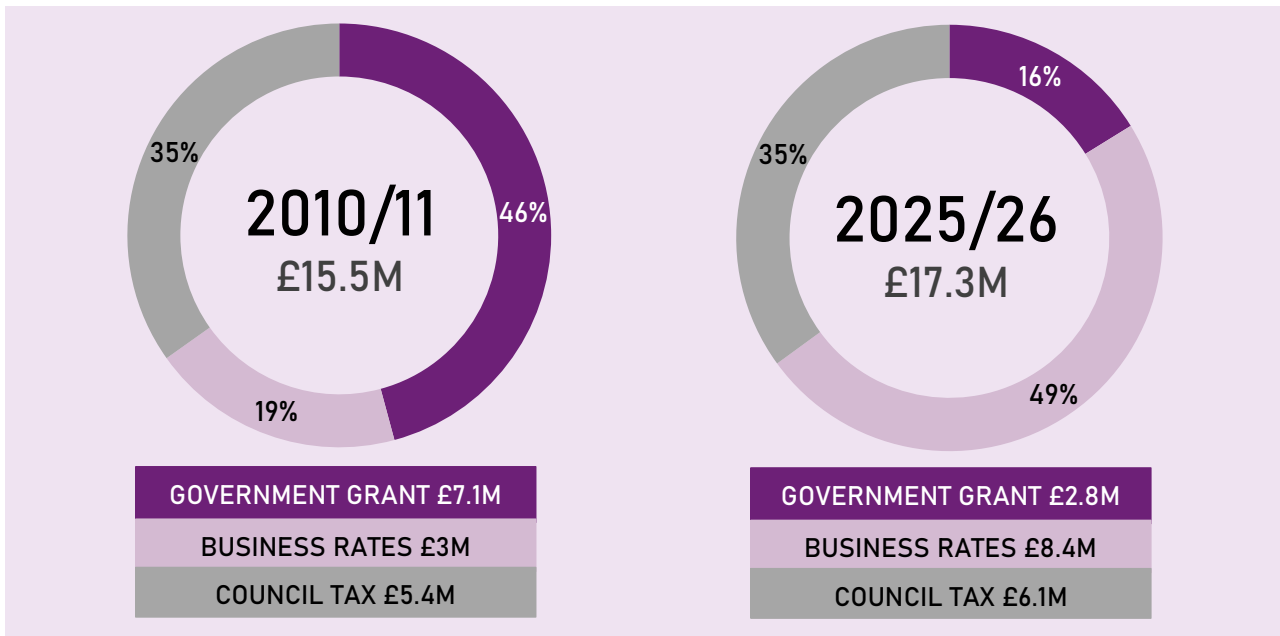
2.8 The format of the Medium-Term Financial Strategy considers the current estimated resources available for 2025/26 and builds upon anticipated changes to income and costs over the following 2 years. At this stage, the Medium-Term Financial Strategy considers the broad strategic impact of known changes. As always, it is possible for new events to affect the budget position, and these will be considered in future revisions to the Medium-Term Financial Strategy. It is anticipated that the next update to the Medium-Term Financial Strategy will occur in October

2025, immediately ahead of the Council commencing the process of setting its Budget for 2026/27.

2.9 Despite the difficulties over the last 15 financial years caused by substantial reductions in our funding from Government, the Council has continued to maintain its finances and provide value for money services. Balances were in excess of £1.8m at the end of the 2023/24 financial year and we have generated significant savings in each of the last 15 financial years. It will remain important to the Council in the future that we continue to generate savings each year so that we can fund future capital spend and further investment.



RESOURCES



3.1 Since April 2011 the Council has faced major changes in how it is funded as a result of Central Government decisions taken to reduce overall public sector spending in light of the worldwide recession and pressure to reduce the national deficit. These changes include:-

- The ending of the system of direct government funding to local government based on need;
- The introduction of a new system centered around how much revenue is collected locally as business rates, adjusted via a series of tariffs and top-ups;
- The transfer of the risk of non-collection of business rates and the cash flow impact away from HM Treasury to local government;
- The ending of the national universal system for Council Tax benefit and its replacement by locally determined schemes with an accompanying 10% reduction in funding at a national level in the first year and subject to further grant reductions in subsequent years.

3.2 These changes effectively signalled a period of significant decline in the overall resources available to the Council in the period after 2010/11, as the

Government withdrew a large proportion of our funding with only small amounts of respite occurring in recent years due to some additional grants in the wake of COVID 19. The expectation remains that the downward trend in direct Government support for the Council will be resumed at some point in the future, reducing the resources the Council has to continue to provide services.

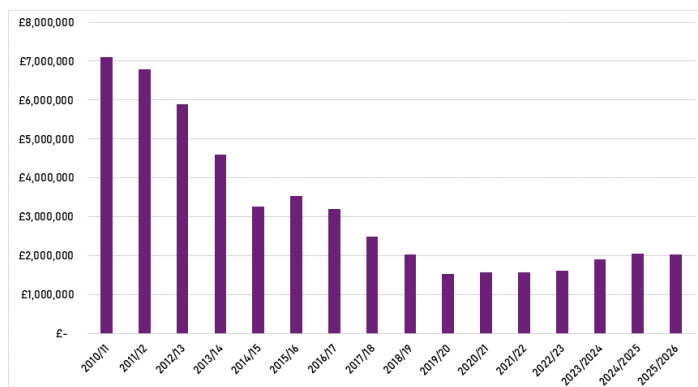
3.3 The funding since 2010/11 until 2025/26 shows an increase of £1.8m, although the real reduction in present values is more likely in the region of £6.2m, if the funding had increased in line with the levels of cumulative inflation for the same period. During this period the Council has continued to provide the same level of services.

3.4 The changes also create a much greater risk of volatility between years; business rate collection is much more prone to fluctuate than the previous system of government grants and Council Tax Support levels may vary significantly depending on the state of the economy and the number of claimants.

GOVERNMENT GRANT

4.1 The Council has been one of the hardest hit by Government from reductions in financial support since 2010/11 and substantially accelerated in 2016/17. Table 1 below shows the impact of the reduction in Revenue Support Grant on the Council over this period.

Table 1 Changes in Revenue Support Grant (RSG) 2010/11 to 2024-26



4.2 From a position in which Hyndburn was receiving over £7.1m in Revenue Support Grant in 2010/11, the amount of funding had been reduced to £1.5m by 2019/20. A small increase in funding occurred after 2019/20 as the Government provided some extra cash linked to Brexit and then COVID 19, with this figure reaching £2.069m in 2025/2026.

4.3 The Deputy Prime Minister and Secretary of State for Housing, Communities and Local Government has stated that the government will reform how councils are funded and will deliver funding where it is needed most. As a result, 2026-27 will mark the first multi-year funding settlement for local government in ten years.

4.4 There is still uncertainty around how this will affect any finance settlement that Hyndburn receives and the Standard Model, continues to forecast Government Grants continuing at current levels for a number of years, plus inflation.

4.5 The Pessimistic Model does however recognise that there is a persistent element within DLUHC that advocates the need for this type of reform and that it has been able to persuade Ministers in the past that it is a sensible policy option to be seriously considered. It therefore remains something that could return over the next couple of years, particularly given the need to balance the overall Government Budget during a difficult time of major spending pressures and a desire to reduce the burden of tax across the country. The Pessimistic Model therefore shows Government Grant supporting the Revenue Budget from 2025/26 to remain static.

4.6 The Optimistic Model reflects the Government accepting that local government needs an injection of additional resources from Central Government if it is to continue to effectively function and provide the support local communities need and allows for greater increases in this funding.

COUNCIL TAX

- 5.1 With the significant decline of Government Grant from 2010/11, Council Tax became much more significant in terms of the Council's finances. The Council is rightly proud of its record as a Council that thinks very carefully over increasing the burden on local people's spending power through tax increases and has over the last 20 years kept its average Council Tax increases below the rate of inflation. Until recently, Hyndburn was only one of 7 councils to have this distinction and the only one north of Watford to do so. This is a remarkable achievement given that in Hyndburn's case it will have not been able to replace the lost income from below inflation Council Tax increase via rises in the growth of housing numbers and Hyndburn will have effectively had to deliver more efficiencies from within its expenditure, to maintain its Balanced Budget position.
- 5.2 Due the uncertainty around future settlements, the Council needs to look to increases in Council Tax to partially fill the gap. The Medium-Term Forecast therefore assumes for the years 2025/26, 2026/2027 and 2027/2028, the Council will increase Council Tax by the maximum allowed by the Government under its capping regulations. The capping level for a District Council in recent years has been an increase up to a maximum of £5.00 or not above 3%, whichever is the greater. This rule is expected to remain in force for the remainder of the MTFs. For 2025/26, we are forecasting Council Tax revenues of £6,063,800 based on a Council Tax of £276.46, which would rise to £6,360,900 the following year based on a 2.99% increase each year. In 2027/28, the forecast is that revenue will grow by a further 2.99% under the existing Capping rules with £6,603,400 of revenue achieved.
- 5.3 It is not expected that Council Tax income will decline over the coming period, but the Pessimistic Scenario reflects that there will be no increase in the Council Tax Band charge in the two remaining of the MTFs and a reduced increase in the Council Tax Base due to some new properties in the year.
- 5.4 Compared to the Standard Model, the Council loses over £203,000 of income in 2026/27 by not increasing Council Tax and is £414,900 worse off in 2027/28 under these assumptions. The cumulative impact over the 3 years is a loss of £617,900 of revenue to the Council that it would be able to use to support local services.
- 5.5 The Optimistic Scenario shows a more buoyant second and third year in terms of Council Tax income with £20,900 of extra income stemming from housing developments etc. in 2026/27 and further increases from Council Tax of £43,100 in 2027/28. This would reflect above average growth in the local housing market and potentially the early dividends from the proposed development at Huncoat starting to impact on the Council's finances.

BUSINESS RATES

6.1 In addition to the substantial alterations to local government funding created by the withdrawal of Revenue Support Grant, the Government introduced major changes to Council funding from April 2013, which ended the previous system of business rates collected locally but pooled nationally and redistributed by the Government via an assessment of “need”.

6.2 The system from April 2013 attempts to allow Councils to retain the business rates raised locally. However, the current system sees the vast majority of business rates transferred away from Hyndburn. This is due to Government rules which firstly top-sliced 50% of locally collected business rates into a Central Government pot to support a variety of Government policies across Local Government. A further 10% of the monies collected are transferred to Lancashire County Council and the Lancashire Combined Fire Authority, leaving Hyndburn with only 40% of the locally raised business rates. The 40% remaining in Hyndburn is then further reduced under the rules introduced by the Government to further redistribute funds between local Councils. In a system called “Top-Ups and Tariffs” the Government determines amounts to be deducted from “Tariff” Councils to help fund Councils which did not have sufficient funding in their view to meet their expenditure needs.

6.3 As a consequence, Hyndburn only retains about 25% from this source of funding to use locally, with the remainder transferring to the Government or other local authorities.

6.4 The Government has indicated that it wished to move to a system of 100% of

Business Rates going directly to Local Government, expanding upon an earlier decision to earmark 50% of Business Rate income to be retained by local government. After that announcement, unfortunately the Government made almost no progress towards its implementation.

6.5 The forecast level of business rates in the future will therefore depend on two major factors. How much the Government determines a Council should receive as a baseline from business rates and how much additional income is achieved and retained. The general view is that these changes are expected to redistribute funds away from District Councils. The Standard Model assumes Business Rates will grow at 2% over the period of the MTFS.

6.6 The Pessimistic Model assumes the revenue stream from Business Rates stagnates over the second and third year of the MTFS as increases are low and any growth in the tax base stemming from new businesses or the expansion of existing businesses is offset by the impact of appeals, business closures and increased non-payment. The Optimistic Model assumes we can achieve a 3% increase in each year beyond 2025/26. The assumptions used are more illustrative than scientific at this stage; we will also need to develop financial flexibility to be able to respond to the potential major swings in funding that could occur either way.

CHANGES IN COSTS

SALARIES COSTS

- 7.1 As an individual line across all budget areas the cost of employing staff is just under £14m and is the largest expense faced by the Council.
- 7.2 Between 2010/11 and 2018/19 wage increases in local government were limited to 1% or lower as the country recovered from the 2008 Recession. Since 2018/19 the national wage settlement has increased from around 2% to a flat rate increase for most employees, regardless of grade, in the last two years 2023/2024 and 2024/2025.
- 7.3 After a long period of low inflation and general wage restraint across the economy for over a decade, rising inflation, skill shortages in the workforce and other economic factors have seen wage settlements significantly up and trade unions pressing for much higher pay awards across the public sector.
- 7.4 With inflation currently running at around 2.5%, it is possible we may experience wage settlements at levels of around 3%. This has been assumed in the Standard Model for 2025/2026, although it is expected to fall to 2% over the remaining years. The Pessimistic Model therefore outlines the impact on the Council's finances if Wage Settlements were at 5% for all years.
- 7.5 This level of wage settlement is a major contributor to pushing the savings target under the Pessimistic Model to 12.67% in 2026/2027, to 17.54% in 2027/2028 and would force the Council to take major

actions to reduce its costs and re-prioritise services in these circumstances.

- 7.6 The Optimistic Model assumes that a degree of wage restraint can be achieved with 2% in 2025/2026 and 1% for the remaining years.

PENSION COSTS

- 8.1 Pension Costs are expected to be stable in 2025/2026, as this is the final year of the current triennial valuation. As interest rates have remained high and the Council has a large surplus in its element of the pension fund of £35.49m as at 31st March 2024. The Council has substantially reduced its Employer Contributions from a peak of 28% a few years ago to contributions rates now of 13.6%, saving the Council over £1m a year. This improvement has been achieved by the Council taking positive action to reduce early retirements, funding additional retirement costs as they occur and making additional payments into the Pension Fund whenever possible. Continuing these actions in the future will further reduce the employer pension contribution as we move forward and should be maintained as a normal facet of overall financial management. It is expected that the employer contribution rate from the Council will significantly reduce at the next triennial review in late 2025 and it is forecast that this may achieve significant savings in excess of £0.56m per annum from 2026/2027 onwards.

CONT. CHANGES IN COSTS

SUPPLIES & SERVICES COSTS

9.1 The Office for National Statistics shows that Retail Price Index (RPI) has been on a strong upward trajectory since April 2021 and now sits at 3.9% in December 2024. The Government's preferred measure of inflation in the economy Consumer Price Index (CPI) rose by 0.3% in December 2024, showing an increase of 3.5% on the December 2023 figure. While there are expectations that inflation will begin to fall it is still expected that they will be around 2% in 2025/2026.

9.2 The MFTS therefore anticipates that inflationary pressures, particularly around energy costs will force up our non-salary costs on services and supplies by 3% in 2025/26 and 2% in

future years. The MFTS Standard Model therefore predicts inflationary growth of around £789,000 is needed to maintain the current level of activity in 2025/26, before falling back to annual increases of around £378,000 in 2026/2027 and £385,000 in 2027/2028, to keep up with inflation.

9.3 The Pessimistic Model assumes that energy prices do not subside in 2025/26 and that inflation is 5% rather than 2% at that point and that it will continue at 5% in the future years.

9.4 The Optimistic Model assumes a rapid de-escalation in world energy prices over the coming months and inflation dropping to 1% to markedly reduce the impact from inflation on the goods and services we purchase.

BUDGET PRESSURES

10.1 The Revenue budget in 2024/2025 has been facing significant in year pressures that have been managed within the budget resources in year. However, a significant amount of these costs will need to be included in the 2025/2026 budget.

10.2 These costs include items such as:

- Additional costs in providing Leisure Services
- Additional irrecoverable costs from Housing Benefits / Supported Accommodation

10.3 The total costs of these budget pressures included in 2025/2026 are £1.1m.

CAPITAL COSTS

- 11.1 The Council has, over the last 15 years, maintained a strong commitment not to borrow to finance Capital Expenditure. In doing so, it has ensured that it has not added to the burden of its revenue budget by having to pay increased loan costs. The intention within the MTFS is to maintain that commitment. The Capital Programme will be funded from a mixture of carry forward receipts from the Housing Market Renewal Programme, the use of one-off grants from the Government, surpluses, external funding and existing Capital resources.
- 11.2 The Council's Capital Programme has significantly grown over the last few years to a current approved level of £45.06m for 2024/2025. This programme was mainly due to the expected funds from Government in relation to Levelling Up Projects and the Council's Leisure Estate Investment Programme.
- 11.3 The 2025/26 Capital Programme is expected to return to the more modest programmes of new additions than in previous years. However, of course the Council will be delivering the major programmes approved in previous years during and beyond 2025/2026. The full programme is detailed in the Capital Programme 2025/2026 report to be approved by Council on 27th February 2025.
- 11.4 The assumption across all three Scenarios within the MTFS is that there will be no Growth approved and any additional demands on service will be managed in year, once the required budget savings have been achieved.
- 11.5 As in earlier years, it remains critically important for the Council to limit its spend on Capital Projects to the resources it has available and to avoid borrowing to finance expenditure as this has a damaging knock-on impact on the Revenue Budget, causing it to generate greater savings pressure across the whole Council and forcing tougher decisions around key service priorities.
- 11.6 To assist our Capital Programme we will therefore continue support the Capital Programme from any additional revenue, through surpluses on the Collection Fund or the Pooling of Business Rates etc. when these are available and are not required to underpin the Revenue Budget, as well as any in-year savings that are generated and capital receipts. This will enable us to remove the need to borrow to fund the Leisure Estate Project and therefore not increase the pressure on the Revenue Budget over the period.
- 11.7 The Capital Programme is always oversubscribed and the Council will continue to have to make tough choices over which projects to support in line with its key objectives. It should however be able to fund its highest priority projects over the coming 3 years, without burdening future taxpayers with an increased legacy of unaffordable debt and interest payments.
- 11.8 Current predictions indicate the Council has sufficient funds to finance its capital expenditure plans over the next 3 years. This is however reliant on the achievement of significant capital

CONT. CAPITAL COSTS

receipts over the period and continuing to only fund the Council's highest priority projects. If the sale income from anticipated disposals is delayed or sales in the pipeline do not mature, decisions around curtailing capital expenditure or using some stop gap funding including short term borrowing may be necessary.

11.9 The Medium-Term Financial Strategy also includes some future provision for the risk that there may be additional capital spend required for the Levelling Up / Town Centre regeneration schemes. The costs of this are included as potential borrowing and each scenario plans, which is explained in the scenarios below.

GROWTH

The assumption across all three Scenarios within the MTFS is that there is no Growth for new service areas and any new requirements will be funded from within the

approved revenue budgets once all respective savings targets can be achieved.



RESERVES

13.1 Over the last 15 years, the Council has been able to rebuild its Revenue Reserves. This has seen the negative position of 2003/04 replaced by general reserve balances at the 31st March 2024 of just over £1.9m and earmarked reserves of £19m and Capital receipts and grants of £2.7m, totaling £23.6m in usable reserves.

13.2 It is recommended that general reserves are maintained at around £1m or strengthened whenever possible to meet any major challenges which might occur over the next 3 years, which cannot be dealt with via the normal budgetary process.

13.3 The remaining earmarked reserves and capital receipts and grants are largely planned to manage the future commitments of the council through both revenue costs and capital scheme funding.

13.4 The Council is expecting to add to its reserves over the next few years though a forecast underspend in 2024/2025 and has planned set asides for future commitments on capital expenditure.

13.5 The general reserves are available to be used to accommodate threats to the Council outside its normal budgetary pressures and could include,

- continuing high energy prices and inflation;
- high levels of wage settlement and possible threats of industrial action;
- legal risks such as challenge to planning decisions, claims under employment law and fines due to GDPR breaches;
- emergency spend pressures in-year;
- the continuing trading difficulties experienced by Hyndburn Leisure

and the financial pressures on partner organisations and the third sector in general;

- insurance claims for which cover is not in place;
- continuing reductions in our income from fees and charges;
- the unknown revenue budget implications of the introduction of the new Food Waste service and the requirements for new Waste transfer arrangements from 2026.

13.6 An updated forecast on the level and proposed movements in reserves is contained within the Revenue Budget report 2025/2026.

OTHER ASSUMPTIONS

14.1 The MTFS assumes that the Council is able to present a balanced budget each year and operate within that budget and that it does not need to draw upon reserves or overspend within any financial year.

14.2 It assumes that any draw down of reserves which drops us below the minimum level required is either immediately replenished within the financial year or a top slice of funding from the next year's budget is made to ensure they remain at the stated level.

14.3 It assumes that service provision remains largely within the current confines and that no major initiatives are imposed upon the Council without suitable funding provision. For instance, the MTFS does not allow for the return to weekly refuse collection without the Government providing the necessary funds not only to manage the change process, but also to meet the additional on-going revenue costs.



EQUALITY IMPACT

ASSESSMENT

There are no specific proposals within the MTFS that would require the completion of an Equality Impact Assessment (EIA). This document remains a high-level strategic overview. Individual EIAs will be completed for relevant policy developments, service alterations and saving plans as they occur, as a response to the overall financial plans of the Council.

SCENARIOS

15.1 As with the previous MTFS we have attempted to outline the potential range of scenarios around the Council's Finances over the next few years, by varying some of the key assumptions. In order to avoid a myriad of possible scenarios, we have presented in Appendix 2 and Appendix 3, two scenarios towards either extreme side of the MTFS forecast. This allows the potential maximum and minimum range of savings required over the next 3 years to be broadly established.

15.2 The MTFS has therefore been developed around key assumptions of what is most likely to occur and then two scenarios produced showing what might occur should these assumptions be confounded by other events, all moving in one particular direction or the other. Appendix 1 to this report sets out the scenario which it is believed is the most likely to occur and is labelled the Standard Model. Appendix 2 shows what might occur if many of the negative things that could happen did actually occur and this is labelled the Pessimistic Model. Appendix 3 shows the opposite situation in which the Council benefits from a series of good outcomes with resources growing and downward pressure on spending occurs. This is the Optimistic Model.

15.3 This approach produces a spectrum of the possible ranges in which the Council's finances will have to operate over the next 3 years. It does not cover every eventuality and there are possible outcomes outside of the ranges shown, though these are deemed to have only a small chance of occurrence.

15.4 It is possible the Council could emerge with a stronger financial position as a result of a combination of these volatile factors going in its favour. A strong financial position for the Council could emerge for instance if:

- The War in Ukraine ends.
- The Government decides to boost the economy by an injection of cash into the country and expanding expenditure on public services particularly in the North with Hyndburn receiving extra revenue as a result.
- The trade relations post Brexit going much better than most commentators have predicted and the country thriving outside of the European Union.
- Political tensions across the globe subside.
- The global economy avoids recession and begins a steady period of growth.

SCENARIO BREAKDOWNS

PESSIMISTIC SCENARIO

- 16.1 The potential for the Council to face severe financial pressure over the 3 years is shown in the Pessimistic Model. This model assumes a backdrop of fragmented global economic growth and potential recession. The level of savings required to be generated each year by Hyndburn in these circumstances are significantly higher in each year than the other models and are likely to be very challenging for the Council to deliver.
- 16.2 The Pessimistic Scenario presented at Appendix 2 looks at the baseline assumptions for the MTF5 and adjusts them for the following reasons.
- 16.3 In terms of income the Pessimistic Scenario indicates that revenue could be lower in 2026/27 compared to the Standard Scenario due to the RSG not being uplifted in 2026/27 and other Government Grants being withdrawn. This sees Government Support for the Council down £56,000 in 2026/2027 and £113,000 in 2027/2028 compared to the assumed levels in the Standard Model.
- 16.4 It is also assumed that Council Tax Revenues do not increase from an uplift in the amount charged per household. This limits revenue from Council Tax to £5,979,000 in 2026/2027 and £6,008,800 and likewise it is assumed that Business Rate income will flat line over the period, due to any increase in the Business Rate multiplier or new property growth, being offset by business closures, successful appeals against previous rating levels, business closures and continuing high levels of default due to economic stagnation, and the Council does not achieve a surplus in 2025/2026 and 2026/2027. Overall resources available to the Council are down over £0.6m in 2026/27 and £1m in 2027/2028. In this scenario and the gap has widened to over £3.7m.
- 16.5 The Pessimistic Scenario allows for an extra 2% increase in wage cost in 2025/26 and 3% in 2026/27 and 3% in 2027/28 over those included in the standard model. This adds £2.1m of extra costs into the Budget over the 3 years.
- 16.6 Pay awards of this level at a time when the Council was struggling with depleted levels of income would add substantially to the pressure to reduce the size of the workforce.
- 16.7 General inflation continues to be difficult to predict. For the Pessimistic Scenario an assumption has been made that the costs of supplies and services rise by £11,800 in 2025/26 compared to the Standard Model and they outstrip the same position again in 2026/27 by a further £289,900 and by £478,300 again in 2027/28.
- 16.8 The pessimistic scenario allows for the future potential increased costs that relate to an unknown level of risk on the Levelling Up / Town Centre regeneration. This scenario allows £350,000 for additional borrowing of around £5m from 2026/2027 onwards. This is an increase in the Standard scenario costs of £140,000 per annum.

CONT. SCENARIO BREAKDOWNS

CONT. PESSIMISTIC SCENARIO

- 16.9 The combined impact of all these potential changes is illustrated at Appendix 2 and shows that the savings target for 2025/26 would be 3.93% at £546,000 and that the savings target would increase to £2.622m or 13.6% in 2026/27 and a further £3.768m or 18.42% in 2027/2028 requiring over £7.099m of in-year savings to be made over the next 3 years.
- 16.10 While it is viewed as unlikely, though possible, that all these factors would combine against the Council, the Pessimistic Scenario at Appendix 2 indicates the Council does face a number of potential challenges, which would require the Council to take a series of much tougher decisions around its spending plans and priorities if these assumptions materialised.
- 16.11 The level of savings required under the Pessimistic Scenario would put the Council's finances under severe strain and it is likely it would need to use a considerable amount of its reserves while it attempted to reconfigure its operations so that it could achieve the cost reductions necessary to continue to set a long-term balanced budget, particularly as it is unlikely to know its Government Grant or Business Rates figure for 2026/27, at the time it is making its key budget decisions and therefore will not be able to develop meaningful savings proposals of the magnitude required to balance the Budget in 2026/27 with any degree of accuracy.

STANDARD MODEL

- 17.1 The Standard Model which shows the most likely single position, predicts that the Council after a facing a relatively modest saving target in 2025/26 of just over £163,900, needs to generate savings of around 3% of its Budget in each of the next two financial years.
- 17.2 The key assumption around the Standard Model is that the Government determines it is not an appropriate time to radically alter the funding mechanisms for local councils. We will need to wait and see if this is position is maintained over the next two years. Given the many significant challenges now being faced, maintaining the current status quo in local government might be the most appealing way forward and this is why this is modelled as the most likely outcome at this time.
- 17.3 In our Standard Model we have assumed a 3% increase in payroll cost as a result of the annual pay award for 2025/26 and a 2% in 2025/2026 and in 2026/27.
- 17.4 This model allows for the future potential increased costs that relate to an unknown level of risk on the Levelling Up / Town Centre regeneration. This scenario allows £210,000 for additional borrowing of around £3m from 2026/2027 onwards. These costs are still yet unknown but as construction industry prices have faced significant increases and the works are still to be tendered it is appropriate that forecasts include this potential outcome.

CONT. SCENARIO BREAKDOWNS

OPTIMISTIC MODEL

18.1 The Optimistic Model shows a scenario in which the Council's revenues grow throughout the period and spending pressures can largely be easily dealt with over the next 3 years with the opportunity for the Council to run a surplus Budget in each of the next 3 years. The Optimistic Scenario which shows strong levels of revenue growth for the Council from additional grant funding from Government along with buoyant tax revenues from Business Rates and Council Tax and expenditure only rising at low inflation rates is however viewed as significantly the least likely scenario to occur.

18.2 The Optimistic Scenario is presented at Appendix 3. The major assumptions here are that the Government continues to provide Government Grants to the Council at the level they did in 2024/25 with a significant level of uplift and that this continues over the following 2 years. The Scenario also assumes buoyant tax revenues from Council Tax and Business Rates with 3% growth in the Council Tax Revenues each year after 2025/26 and similar levels of increases achieved in Business Rates income. With the increases coming from a mixture of growth and tax increases.

18.3 The Optimistic scenario allows for the future potential increased costs that relate to an unknown level of risk on the Levelling Up / Town Centre regeneration. This scenario allows £105,000 for additional borrowing of around £1.5m from 2026/2027 onwards. This is a reduction in the Standard scenario costs of £105,000 per annum.

18.4 These assumptions boost the Council's overall revenues by £0.56m over the 3 years up to 2027/28 compared to the Standard Model. With the financial pressures in this scenario and wage inflation almost £1.26m lighter and supplies and service costs £516,800 less.

18.5 As with the Pessimistic Scenario, the Optimistic Scenario painted here would be at the extreme end of potential range events and is therefore viewed as unlikely to occur in its entirety.

COURSE OF ACTION

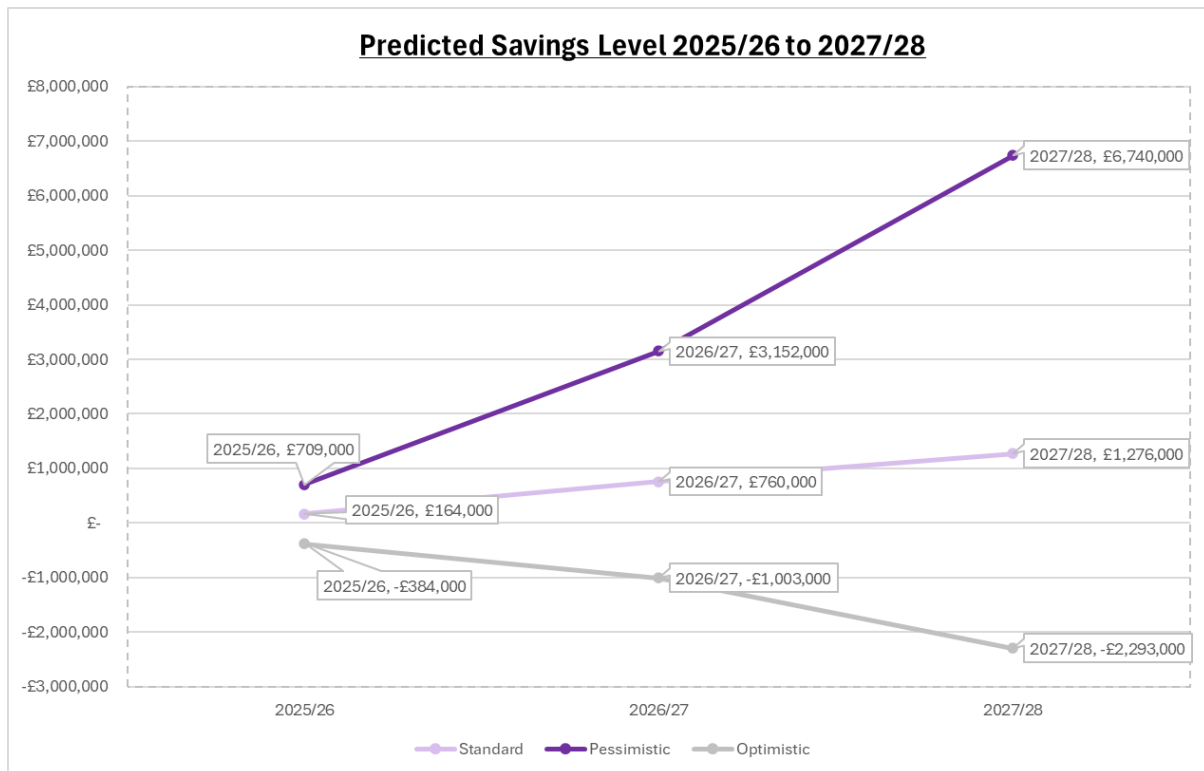
19.1 In these circumstances, given the existing uncertainties it is not possible to predict which scenario is more or less likely to occur from the wide range of potential options. It is clear however, that the downside risk is far more damaging to the Council's wellbeing and on the balance of probabilities the Council's financial situation will lie somewhere between the Standard Model and the Pessimistic one. Therefore, a course of action which values financial prudence at this time, seeking to continue to maintain Reserves at high levels, boosting income streams whenever possible, particularly from growth in council tax, business rates and fees and charges and avoiding committing to any additional on-going revenue spending will provide the Council with the best chances of overcoming the challenges currently presented. Otherwise, the Council will face significant challenges in maintaining its ability to present and operate a balanced budget and deliver its key services.

CONT. SCENARIO BREAKDOWNS

CONT. COURSE OF ACTION

19.2 There is significant divergence in the financial predictions for the 3 years between the Pessimistic and Optimistic Models. The diagram below shows the

potential range from the most pessimistic to the most optimistic put forward in this document:



19.3 The divergence between the Pessimistic and Optimistic Models in terms of annual savings that need to be identified is £1.084m for 2025/26, £3.24m for 2026/27 and £5m in 2027/28. The cumulative difference is almost £9.4m over the three years. The wide range in the cumulative impact between the difference scenarios underlines the degree of uncertainty that exists in making accurate forecasts around the impact of local government funding, the growth in local revenues, the future rate of inflation and pay settlements, pressures on Revenue and Capital spending and the on-going financial impact of the War in Ukraine. Given the

level of uncertainty, it will be necessary for the Council to hold strong reserves over this period and hold off making any major commitments on expenditure until after the Government announces its decision on the future amounts the Council can expect to receive from 2026/27 onwards.

19.4 The Pessimistic and Optimistic Scenarios are meant to show the outer limits of what might occur and what the Council would face in these circumstances. The reality is that the Council is very unlikely to suffer from all bad news or all good news over the next 3 years and its fortunes will therefore lie somewhere between the two scenarios.

CONT. SCENARIO BREAKDOWNS

CONT. COURSE OF ACTION

19.5 The figures in Appendix 1 therefore illustrate the best estimated position if the Government chooses not to go forward with major reforms of local government finance and the status quo is maintained, while the space between the Standard Model prediction and the Pessimistic Scenario indicates the range of challenges the Council could face if the Government commences a review of local authority finances and various other economic pressures continue to manifest themselves.

19.6 This Standard Model indicates a balanced budget can be achieved in 2025/26, with a relatively small savings target for the year of £163,900. The savings requirement for the following year is much larger at £595,000 and

£515,000 the following year. The latter two years' target require savings to balance the Budget of just above 3.3% in 2026/2027 and 2.83% in 2027/2028. The Council has achieved such levels of savings in the past, but it needs to be recognised the cumulative impact of delivering savings over a long period of time makes this more difficult each year.

19.7 The Pessimistic and Optimistic Scenarios at Appendix 2 and Appendix 3 provide the most likely boundaries within which the savings target will fluctuate over the coming three years. There remains a potential for the savings target to fall outside these boundaries, though this is viewed as remote.

ROBUSTNESS OF THE FORECAST

20.1 The robustness of the forecasts beyond 2025/26 is severely diminished due to the uncertainties around the funding decisions made by the Government in relation to local government. The Council could lose or gain significant funds from these changes and there is little current evidence on which to make appropriate forecasts and therefore the MTFS has made assumptions at hopefully either end of the spectrum of possibilities.

20.2 The uncertainty stemming from these decisions will necessitate the Council taking a defensive position in managing its finances and having to lock more funds into Reserves to cope with any

negative dramatic swings from the Government's financial review.

20.3 Usually, we would expect a great deal of the uncertainty within these forecasts to be considerably eased in December each year, as the Government announces its funding plans for local government. However, this year with the governments strive to reduce inflation, high levels of political, military and economic turbulence across the world, the Government has addressed the next immediate 12 months and left the development of a longer vision until next year.

OVERALL NET POSITION

21.1 The Council faces continuing pressure on its finances over the next 3 years. The potential reductions in the level of government grant are significant and the Council will need to take tough decisions over service provision to maintain a balanced budget if these changes are introduced.

21.2 The key to the future financial wealth of the Council remains tied to the performance of the national economy and Central Government finances but a significant additional risk has been transferred to local government around the level of business rates generated and retained locally.

21.3 The Council therefore needs to continue to manage its revenue costs aggressively over the next 3 years. The

single largest area of influence the Council can directly exert action over, is the size of its Capital Programme. If it can maintain this spend within its available resources and avoid having to finance Capital Expenditure from its Revenue Budget, it will greatly assist its overall financial position and ease the cumulative financial pressures on the Council over the 3 years of the MTFS and into the future.

21.4 The Council also needs to protect its Reserves and the flexibility it has in its current financial position until it is clear that it fully understands the outcome of any changes to local government financing that the Government proposes and brings forward the detail of what they intend to implement.

STATUTORY OBLIGATIONS OF THE RESPONSIBLE FINANCIAL OFFICER (“S151 OFFICER”)

22.1 The role and functions of the S151 Officer is informed by a comprehensive framework of statutory duties and responsibilities. The S151 Officer is charged with responsibility for the effective financial management of the Council.

22.2 In summary, the S151 Officer:

- must ensure compliance with all statutory requirements for accounting and internal audit (including supporting records and all systems of internal checks and control);
- manage the financial affairs of the authority in all its dealings and transactions and in so doing secure the proper stewardship of Council (and Members) responsibilities;
- must report under S114 powers to the Executive, the District Auditor and all Members of an authority if there is, or is likely to be any item of unlawful expenditure or an unbalanced budget;
- owes a personal duty of care to local taxpayers in managing Council resources on their behalf. In

CONT. STATUTORY OBLIGATIONS OF THE RESPONSIBLE FINANCIAL OFFICER (“S151 OFFICER”)

discharging this responsibility, the S151 Officer must balance the needs and interests of both current and future taxpayers.

- 22.3 The S151 Officer must issue a Section 114 (S114) notice under the relevant section of the Local Government Finance Act, where it appears to the S151 Officer that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.
- 22.4 Due to an increase in the number of local authorities requesting assistance to manage pressures that they considered unmanageable and as a precursor to issuing a S114 notice, in 2020 the MHCLG established a set of guidelines under the Exceptional Financial Support Framework. Support provided via this framework is usually in the form of a capitalisation direction which permits a local authority to meet revenue costs through capital resources whilst it identifies sources of permanent budget savings to address any gap.
- 22.5 In all cases, the government has set a clear expectation that the authorities continue to manage and mitigate their financial pressures, as well as respond effectively to the individual challenges they are facing and provide regular updates to the government on progress. The support is provided on an
- exceptional basis, and on the condition that each local authority is subject to an external assurance review, in the same manner the Council has engaged CIPFA to perform their informal review.
- 22.6 All support provided through the Exceptional Financial Support framework has been in the form of capitalisation directions apart from two authorities with deficits so large that additional flexibilities were granted to raise Council Tax above the usual thresholds. No further bailouts have been made. It should be noted that CIPFA are working with MHCLG to ensure that the scheme is fit for purpose and properly supports local authorities who are in financial distress.
- 22.7 With Hyndburn being one of the lowest funded authorities in the country it has become more and more difficult each year to achieve a balanced budget and future forecasts showing a funding gap of £1.2m in savings over the term of its MTFS, it is recommended that the Council introduce a savings and transformation plan to ensure the future sustainability of the Councils finances over this period.

MEETING FUTURE FUNDING GAPS

23.1 The table below shows the budget gap position over the term of the MTFS based upon the Standard assumptions.

	2025/26 £'000	2026/27 £'000	2027/28 £'000
Net Expenditure	17,478	17,851	18,231
Total Resources	(17,314)	(17,255)	(17,715)
In Year Funding Gap / (Surplus)	164	596	516
Cumulative Funding Gap / (Surplus)	164	760	1,276
Percentage Savings Required to Balance Budget	0.94%	3.34%	2.83%

23.2 The following a listing of savings and income proposals which have been proposed to be developed into a future savings and transformation plan are shown in the table below:

Potential Savings over the MTFS	2025/26 £'000	2026/27 £'000	2027/28 £'000
Staff Turnover	164	167	170
Operational Building Review	-	70	70
Fees and Charges Review	-	100	100
ICT Transformation	-	50	50
Procurement/ Contract Management	-	209	126
Total	164	596	516

23.3 The final financial settlement announced in February 25 shows a small shortfall of £0.164m for 2025/2026. Based upon these estimates there is still a gap in future years of over £1m. It is not prudent to rely on reserves to provide an answer to the budget position. The Council has a good track record of achieving savings however it is imperative that it continues to plan to balance the future years demands through its savings and transformation plan.

APPENDIX 1

STANDARD MODEL 2025/26 TO 2027/28

	2025/26 £'000	2026/27 £'000	2027/28 £'000
Service Expenditure Budgets			
Prior Year Service Expenditure Budgets (Before Identified Pressures)	15,401	15,969	16,347
Inflationary Increases:			
Salaries & Wages	699	279	284
Utilities	55	23	24
Supplies & Services	210	166	169
Changes in Service Grant Income	(221)	-	-
Changes in Service Fees and Charges Income	(175)	(90)	(92)
Housing Benefit Subsidy & Administration	-	-	-
Subtotal	15,969	16,347	16,732
Identified Budget Pressures:			
Additional Cost of Leisure Services	700	500	350
Additional Housing Benefit Costs	400	410	425
Waste Transfer Costs (if no Transfer Station)	-	500	510
Potential Pension Contribution Savings	-	(567)	(577)
Markets	-	(225)	(225)
Market Chambers Operating Costs	-	-	120
Homelessness Government Grant	(543)	-	-
Costs Relating to Homelessness Grant	543	-	-
New Extended Producer Responsibility Grant	(1,035)	-	-
Total Service Expenditure	16,034	16,965	17,335
Non-Service Expenditure Budgets			
Investment Income	(703)	(603)	(603)
Interest Payable	481	481	481
Minimum Revenue Provision	1,085	1,085	1,085
Potential Borrowing Costs (LUF)	-	210	210
Total Non-Service Expenditure	863	1,173	1,173
Contributions to/from Reserves			
Contributions from Reserves	(604)	(437)	(427)
Contributions to Reserves	1,185	150	150
Total Contributions to/from Reserves	581	(287)	(277)
Net Expenditure	17,478	17,851	18,231
Resources			
Revenue Support Grant	(2,069)	(2,111)	(2,153)
Recovery Grant	(390)	(398)	(406)
Employer National Insurance Contributions Grant	(133)	(136)	(138)
Domestic Abuse Safe Accommodation Grant	(34)	(34)	(35)
New Homes Bonus	(177)	(180)	(184)
Total Non-Ringfenced Government Grants	(2,803)	(2,859)	(2,916)
Business Rates Income Retained	(8,447)	(8,035)	(8,195)
Council Tax Requirement	(6,064)	(6,361)	(6,604)
Total Resources	(17,314)	(17,255)	(17,715)
In Year Funding Gap / (Surplus)	164	596	516
Cumulative Funding Gap / (Surplus)	164	760	1,276
Percentage Savings Required to Balance Budget	0.94%	3.34%	2.83%

APPENDIX 2

PESSIMISTIC MODEL 2025/26 TO 2027/28

	2025/26 £'000	2026/27 £'000	2027/28 £'000
Service Expenditure Budgets			
Prior Year Service Expenditure Budgets (Before Identified Pressures)	15,401	16,514	17,637
Inflationary Increases:			
Salaries & Wages	977	710	746
Utilities	67	35	37
Supplies & Services	375	422	443
Changes in Service Grant Income	(221)	-	-
Changes in Service Fees and Charges Income	(85)	(44)	(45)
Housing Benefit Subsidy & Administration	-	-	-
Subtotal	16,514	17,637	18,818
Identified Budget Pressures:			
Additional Cost of Leisure Services	700	500	350
Additional Housing Benefit Costs	400	410	425
Waste Transfer Costs (if no Transfer Station)	-	500	510
Potential Pension Contribution Savings	-	(567)	(577)
Markets	-	(225)	(225)
Market Chambers Operating Costs	-	-	120
Homelessness Government Grant	(543)	-	-
Costs Relating to Homelessness Grant	543	-	-
New Extended Producer Responsibility Grant	(1,035)	-	-
Total Service Expenditure	16,579	18,255	19,421
Non-Service Expenditure Budgets			
Investment Income	(703)	(603)	(603)
Interest Payable	481	481	481
Minimum Revenue Provision	1,085	1,085	1,085
Potential Borrowing Costs (LUF)	-	350	350
Total Non-Service Expenditure	863	1,313	1,313
Contributions to/from Reserves			
Contributions from Reserves	(604)	(437)	(427)
Contributions to Reserves	1,185	150	150
Total Contributions to/from Reserves	581	(287)	(277)
Net Expenditure	18,023	19,281	20,457
Resources			
Revenue Support Grant	(2,069)	(2,069)	(2,069)
Recovery Grant	(390)	(390)	(390)
Employer National Insurance Contributions Grant	(133)	(133)	(133)
Domestic Abuse Safe Accommodation Grant	(34)	(34)	(34)
New Homes Bonus	(177)	(177)	(177)
Total Non-Ringfenced Government Grants	(2,803)	(2,803)	(2,803)
Business Rates Income Retained	(8,447)	(7,877)	(7,877)
Council Tax Requirement	(6,064)	(6,158)	(6,189)
Total Resources	(17,314)	(16,838)	(16,869)
In Year Funding Gap / (Surplus)	709	2,443	3,588
Cumulative Funding Gap / (Surplus)	709	3,152	6,740
Percentage Savings Required to Balance Budget	3.93%	12.67%	17.54%

APPENDIX 3

OPTIMISTIC MODEL 2025/26 TO 2027/28

	2025/26 £'000	2026/27 £'000	2027/28 £'000
Service Expenditure Budgets			
Prior Year Service Expenditure Budgets (Before Identified Pressures)	15,401	15,421	15,420
Inflationary Increases:			
Salaries & Wages	420	137	138
Utilities	43	12	12
Supplies & Services	44	81	82
Changes in Service Grant Income	(221)	-	-
Changes in Service Fees and Charges Income	(266)	(231)	(242)
Housing Benefit Subsidy & Administration	-	-	-
Subtotal	15,421	15,420	15,410
Identified Budget Pressures:			
Additional Cost of Leisure Services	700	500	350
Additional Housing Benefit Costs	400	410	425
Waste Transfer Costs (if no Transfer Station)	-	500	510
Potential Pension Contribution Savings	-	(567)	(577)
Markets	-	(225)	(225)
Market Chambers Operating Costs	-	-	120
Homelessness Government Grant	(543)	-	-
Costs Relating to Homelessness Grant	543	-	-
New Extended Producer Responsibility Grant	(1,035)	-	-
Total Service Expenditure	15,486	16,038	16,013
Non-Service Expenditure Budgets			
Investment Income	(703)	(603)	(603)
Interest Payable	481	481	481
Minimum Revenue Provision	1,085	1,085	1,085
Potential Borrowing Costs (LUF)	-	105	105
Total Non-Service Expenditure	863	1,068	1,068
Contributions to/from Reserves			
Contributions from Reserves	(604)	(437)	(427)
Contributions to Reserves	1,185	150	150
Total Contributions to/from Reserves	581	(287)	(277)
Net Expenditure	16,930	16,819	16,804
Resources			
Revenue Support Grant	(2,069)	(2,173)	(2,281)
Recovery Grant	(390)	(410)	(430)
Employer National Insurance Contributions Grant	(133)	(140)	(147)
Domestic Abuse Safe Accommodation Grant	(34)	(35)	(37)
New Homes Bonus	(177)	(185)	(195)
Total Non-Ringfenced Government Grants	(2,803)	(2,943)	(3,090)
Business Rates Income Retained	(8,447)	(8,113)	(8,357)
Council Tax Requirement	(6,064)	(6,382)	(6,647)
Total Resources	(17,314)	(17,438)	(18,094)
In Year Funding Gap / (Surplus)	(384)	(619)	(1,290)
Cumulative Funding Gap / (Surplus)	(384)	(1,003)	(2,293)
Percentage Savings Required to Balance Budget	-2.27%	-3.68%	-7.68%