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| REPORT TO: | | COUNCIL | |
| DATE: | | 26 February 2026 | |
| PORTFOLIO: | | Councillor Vanessa Alexander - Resources and Council Operations | |
| REPORT AUTHOR: | | Martin Dyson, Executive Director (Resources) | |
| TITLE OF REPORT: | | Medium Term Financial Strategy 2026/2027 to 2028/2029 | |
| EXEMPT REPORT (Local Government Act 1972, Schedule 12A) | No | Not applicable | |
| KEY DECISION: | No | 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 2026/29 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 2026/27 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 18 February 2026. The relevant reports are listed below and can be found by accessing the Council's website.

Prudential Indicators Monitoring & Treasury Management Strategy 2026/27 to 2028/29

Revenue Budget Report 2026/27

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 classical building with 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 community-oriented.

MEDIUM TERM

FINANCIAL STRATEGY

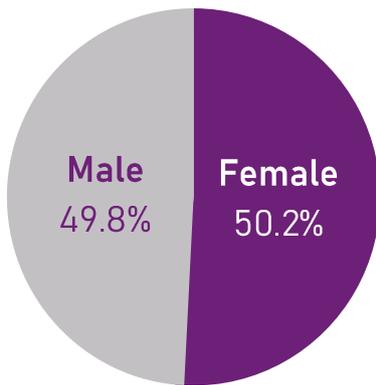
2026-2029

FOR AN AMBITIOUS AND SUSTAINABLE

HYNDBURN FUTURE

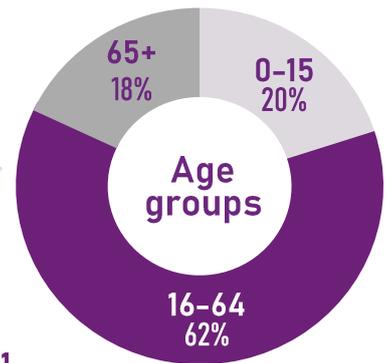
HYNDBURN IN A SNAPSHOT

Population of
86,058



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

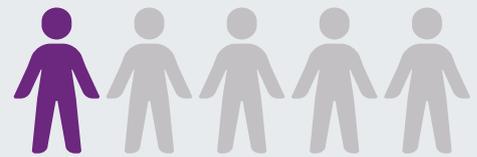
A battery of coke ovens that are part of the area's industrial past

| | |
|-----------------|-------|
| 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

70% Economically active
65% Employed
5.2% Unemployed
(model-based)

42.1% of residents have an RQF level 3 or above

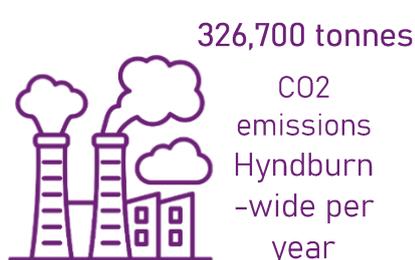


i.e. A-Level equivalent or above

£ **678.30**

£88.30 less than the national gross weekly pay

Organisations with close links:



CORPORATE STRATEGY



Sustainable Growth:

To support employment and business growth, revitalise our town centres and deliver new homes, balancing growth with sustainability.

Environment & Climate Change:

Make the Council's activities and operations net zero by 2030, make the most of our natural environment and green spaces and reduce fuel poverty by encouraging home energy reduction measures.

A Thriving & Cohesive Working:

Work collaboratively with our partners supporting our local communities, addressing health inequalities, and celebrating Hyndburn's rich culture and heritage.

Embrace the Opportunities of Devolution

Support the creation of a new single-tier system of local government in Lancashire and work towards the devolution of greater powers and resources from Central Government

CORPORATE VALUES:



SUMMARY

- 1.1 During 2025/26, the Council's work and finances were largely focused on delivering major capital projects, including the Levelling Up/Town Centre regeneration, the new Cath Thom Leisure Centre at Wilson Playing Fields, and progress on the Huncoat Garden Village project, which will provide 1,800 new homes. These efforts have been delivered alongside the Council's day-to-day services and other key strategic priorities.
- 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 beyond the MTFS period.
- 1.3 The Council will operate a roll forward Budget for 2026/27 based on the 2025/26 Budget with adjustments for changes to salary and wages, energy and other cost pressures. This provides Service Managers with a degree of stability for 2026/27. Overall expenditure will need to be contained at around £17.608m in 2026/27 to set a balanced budget.
- 1.4 The Council, if necessary, may have to use some of its reserves to help balance the Budget. This is likely given the reductions made to government funding across Business Rates and grants as part of the fair funding review. 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 consequences of both national and global issues. It will also face the challenges of Government funding reforms and increased pressures on spending over this period.
- 1.6 The 2026/27 local government finance settlement (LGFS) introduced the major reforms consulted on as part of the Fair Funding Review, including a multi-year funding approach (the first in 10 years) and changes to grant funding and business rates. While national Core Spending Power (CSP) is projected to grow steadily, Hyndburn Council itself faces real-terms reductions due to formula changes and limited tax-raising capacity.
- 1.7 The government issued its Fair Funding Reform 2.0 consultation paper in June 2025, which proposed fundamental changes to local government finance.
- 1.8 The proposals included:
 - A revised funding formula with a stronger link to deprivation levels and population size.
 - A full reset of the baseline for retained business rates in 2026/27.
 - Ending the New Homes Bonus and reallocating the funding to the core settlement.
 - Simplifying and merging multiple grant streams, including those for homelessness prevention, rough sleeping, and temporary accommodation.
 - Introducing transitional funding, including a minimum funding floor, to protect councils from the full impact of the changes.
- 1.9 Although most councils received cash-flat protection against their 2025/26 baseline, Hyndburn was identified early in the consultation as being among the authorities furthest

CONT. SUMMARY

from their assessed funding level. As a result, the Council will lose 5% of its 2025/26 baseline funding by 2028/29.

- 1.10 Despite an anticipated loss of almost £6.35m over the MTFs period, the multi-year settlement offers a level of certainty that enables the Council to prepare for future challenges. The Council has addressed the £6.35m reduction through, savings and use of resources.
- 1.11 It is recognised that the 2027 spending round (and those in future years) may bring about alterations, however these are likely to be minor in terms of quantum and will likely only be upwards with the announced 3-year settlement representing a minimum level of funding. The certainty that the 3-year settlement has provided around government funding has resulted in a relatively stable outlook across all scenarios, pessimistic, standard and optimistic. Any variances occur due to diverging assumptions over service income and expenditure with the most severe of the scenarios assuming no or low growth in income but an above inflationary rise in expenditure. The pessimistic model assumes a modest increase in council tax below the Local Plan and Government targets. The standard model assumes growth in the Council Tax base in line with the local plan.
- 1.12 The third, optimistic model is also presented which shows the Council's potential position if it was able to boost its own tax revenue due to a buoyant tax base, and expenditure inflation being low. 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.

- 1.13 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 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

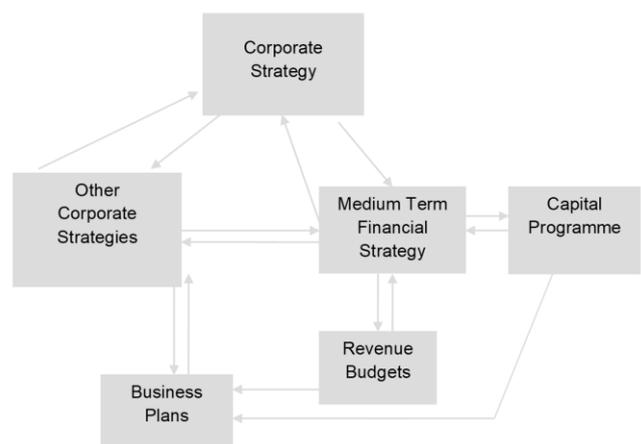
OF THE COUNCIL

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 to prioritise to

receive additional investment and thus which will receive less. 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 2026/27 to 2028/29. Our financial position over the last few years has been dominated by continuing global financial volatility stemming from unstable political landscapes and significant levels of high inflation. The Council has been fortunate in being able to manage within its resources by achieving high investment returns and effective budget management.
- 2.2 Major reforms to local government finance have taken place during the year and will take effect from 2026/2027. This has included a multi-year financial settlement, incorporating both the impact of the fair funding review and the business rates reset. The impact of the funding review was initially announced as part of the Provisional Local Government Finance Settlement (PLGFS) and has been fully incorporated into the MTFS along with subsequent adjustment from the final settlement. The Standard Model now assumes only inflationary growth for income outside of the funding settlement, over the period of the MTFS. While the Pessimistic Model envisages the reforms will have no growth period of the MTFS. The Optimistic Model illustrates a more buoyant outlook for income. All models present the government funding as set out in the multi-year finance settlement.
- 2.3 Local Government Reorganisation presents a major unknown within the MTFS period. The Council submitted its preferred option for reorganisation by the government deadline of 28th November 2025. It is expected that a government lead consultation will take place in early 2026 with a preferred unitary Council option selected by Summer 2026. Vesting Day will be 1st April 2028, the new unitary council will start to operate services for the Borough, and the existing 15 authorities would be abolished. It is difficult to anticipate the cost of reorganisation without greater certainty around the proposals. Given current levels of funding this may place additional burden on Council reserves in the future. As the Council's MTFS is presented over a 3-year period, the 2028/29 budget has been presented in a way which is consistent to the preceding financial years. It is expected that this will form part of the budget for the new unitary council and any budget decisions made in 2026/27 may have implications on the future budgets in a new unitary authority.
- 2.4 The MTFS assumes that the Council can deliver its current year Budget as planned. Despite the continuing extraordinary budget pressures in 2025/26, the Council looks as if it will be able to deliver its Budget within the planned resources. Having also managed to deliver a balanced budget for 2024/25 and it now appearing we can deliver one again in 2025/26, the MTFS 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.
- 2.5 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.

CONT. BACKGROUND

Therefore, a general reserve level of around £1m remains important for the Council to retain given the external environment.

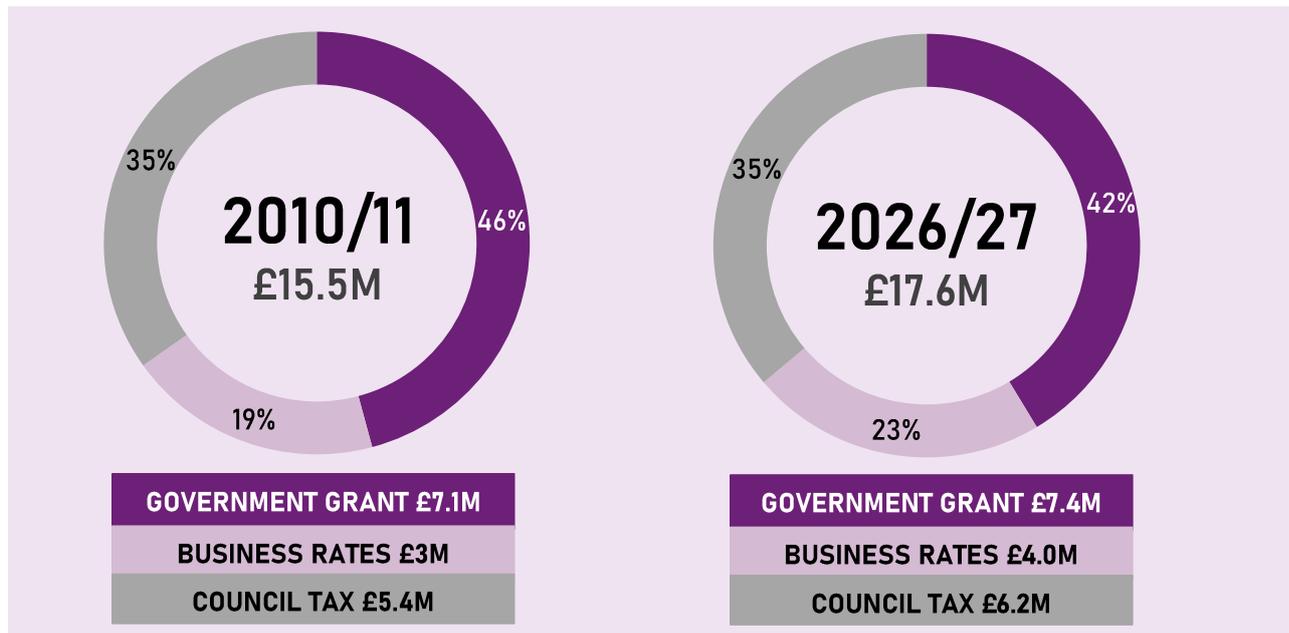
2.6 The format of the MTFS considers the current estimated resources available for 2026/27 and builds upon anticipated changes to income and costs over the following 2 years. At this stage, the MTFS considers the broad strategic impact of known changes. As always, it is possible for new events to affect the budget position, and these will be considered in future revisions to the MTFS. It is anticipated that the next update will occur in October 2026, immediately ahead of the Council

commencing the process of setting its Budget for 2027/28.

2.7 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. General Balances were in excess of £2.4m at the end of the 2024/25 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 aim to deliver a balanced budget across the MTFS period, 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 Funding from 2010/11 to 2026/27 shows an increase of £2.1m, although the real reduction in present values is more likely in the region of £6.6m, 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.

3.3 The changes have also created 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.

3.4 In June 2025, the Ministry of Housing, Communities and Local Government published its consultation on reforms to local government funding, known as the Fair Funding Review 2.0. The consultation set out proposed changes to the distribution of funding, aiming both to allocate resources more closely in line with assessed need and to simplify the overall funding framework. The government indicated that most councils would see their funding maintained at a cash-flat level relative

CONT. RESOURCES

to their 2025/26 baseline. However, councils receiving more than 15% above their assessed funding requirement could face reductions of up to 5% by 2028/29. Any reductions beyond this threshold would be offset through funding floor payments.

3.5 The results were presented to parliament initially as part of the Local Government Finance Settlement in December 2025. District Councils have been the hardest hit group following the fair funding reforms, with decisions by ministers tending to favour authorities with social care responsibilities. Hyndburn was identified early on as being one of the authorities furthest from the target funding level, losing 5% of its funding by 2028/29. Any reductions to funding beyond this amount will be compensated via a funding floor payment.

3.6 This reduction in funding is despite the governments promises to strengthen

the link between funding and deprivation, with the 2025 Index of Multiple Deprivation ranking Hyndburn as the 16th most deprived Borough. A change from 18th in 2019.

3.7 Following a brief consultation on the PLGFS, the government announced further funding changes in the final settlement. While the newly introduced 'Funding Adjustment Grant' has kept the Council's 2026/27 allocation broadly in line with the provisional settlement, Hyndburn will face additional reductions in 2027/28 and 2028/29.

3.8 The table below shows the level of funding across the MTF period. The level of government grant decreases across the period in line with funding reforms with overall funding becoming more highly geared towards locally generated income such as Council Tax.



GOVERNMENT GRANTS

4.1 For 2026/27 onwards the government has simplified more than 30 funding streams, worth nearly £47 billion across the multi-year settlement. Previously, these funding streams were paid to local authorities through a mix of grants both within the Settlement, and outside the Settlement by 6 different government departments. In the updated system, £21.5 billion of this funding will be delivered through new consolidated grants as part of the multi-year Settlement package, and £25.3 billion will be consolidated into the Revenue Support Grant.

4.2 For Hyndburn this means receiving 1 consolidated Homelessness, Rough Sleeping and Domestic Abuse Grant, worth £0.722m in 2026/27. It will bring together:

- The Prevention, Relief and Staffing element of the Homelessness Prevention Grant (HPG). This funding will be distributed using the prevention and relief element of the HPG funding formula.
- Rough Sleeping Prevention and Recovery Grant (RSPARG) and Rough Sleeping Accommodation Programme (RSAP) funding. This funding will be distributed using a rough sleeping and single homelessness formula developed with local authorities; and
- The Domestic Abuse Safe Accommodation Grant, which was delivered through the Settlement in 2025-26.

4.3 Outside of the settlement Hyndburn will receive the Crisis and Resilience Fund.

This was created to make it easier for local authorities to provide preventative support to communities and assist people when faced with a financial crisis. The fund brings together the Household Support Fund and Discretionary Housing Payments.

4.4 Revenue Support Grant (RSG) will consolidate 17 funding streams, worth £25.3 billion over the 3 years of the multi-year Settlement. For Hyndburn this includes:

- Employer National Insurance Contributions
- New Homes Bonus
- Business Rates Under indexation Compensation

4.5 Changes to the Council's core spending power announced as part of the final local government finance settlement has reduced the amount of RSG due to the authority across the MTFS period. This has been compensated for in 2026/27 by a one off 'Adjustment Support grant'. The Council will however experience additional losses in 2027/28 and 2028/29 respectively.

4.6 Given the wide-ranging changes to RSG, it becomes difficult to draw useful comparisons to previous financial years. For example, RSG received in 2025/26 was £2.069m compared to £5.715m in 2026/27. However, total funding across grants, Council Tax and Business Rates decreased from £17.401m in 2025/26 to £16.836m in 2026/27. For 2026/27 Homelessness Grants were distributed as part of the funding settlement bringing total funding to £17.608m, previously this grant was included within net service expenditure.

COUNCIL TAX

- 5.1 With the significant decline of Government Grants 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 As the government has provided additional support grant in 2026/2027 the Council has decided to freeze its Council Tax in 2026/2027, with increases in the later years to partially fill the gap in those years. The Medium-Term Forecast therefore assumes a freeze in 2026/27, but for 2027/2028 and 2028/2029 that the Council will increase Council Tax by the maximum allowed by the Government under its capping regulations. The capping level for a District Council is 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.
- 5.3 The newly introduced assumption underpinning the finance settlement is that each authority's Council Tax base will increase in line with the average annual growth across 2021/22 to 2025/26. This will place an additional pressure on the Council as slower than average growth and the implementation of additional council tax discounts have resulted in lower than average increases in the tax base.
- 5.4 For 2026/27, we are forecasting Council Tax revenues of £6,132,700 based on a Council Tax of £276.46 which would rise to £6,357,700 the following year based on a 2.99% increase in 2027/28. In 2028/29, the forecast is that revenue will grow by a further 2.99% under the existing Capping rules with £6,590,900 of revenue achieved.
- 5.5 It is not expected that Council Tax income will decline over the coming period, but the Pessimistic Scenario reflects that there will be a lower, 1% increase to the Council Tax Band charge in the two remaining of the MTFs and a slower increase in the Council Tax Base due compared to the Standard and Optimistic models.
- 5.6 Compared to the Standard Model, the Council loses over £144,500 of income in 2027/28 by not increasing Council Tax to the maximum level allowed by legislation and is £296,100 worse off in 2028/29 under these assumptions. The cumulative impact over the 2 years is a loss of £440,600 of revenue to the Council that it would be able to use to support local services. The Optimistic Scenario shows a more buoyant second and third year in terms of Council Tax income with £29,900 of extra income stemming from housing developments etc. in 2027/28 and further increases from Council Tax of £62,100 in 2028/29. This would reflect above average growth in the local housing market.

BUSINESS RATES

- 6.1 The financial year 2026/27 will bring the most significant changes to the Business Rates Retention System since it was introduced in April 2013. The system was originally designed to encourage Councils to grow their Business Rates base by allowing them to keep a share of any additional income locally. However, under the current arrangements, most of the business rates collected in Hyndburn are transferred elsewhere. This happens because the Government first takes 50% of locally collected rates into a national pot used to support wider Local Government funding. A further 10% is allocated to Lancashire County Council and the Lancashire Combined Fire Authority, leaving Hyndburn with just 40% of the business rates it raises.
- 6.2 This 40% share is then reduced again under the Government's "Top-Ups and Tariffs" system, which redistributes funding by deducting money from "Tariff" authorities—like Hyndburn—to support those the Government assess as having higher spending needs compared to their business rates base. As a result, Hyndburn ultimately retains only around 25% of business rates income for local use, with the remainder redistributed to Government or other local authorities.
- 6.3 The long-awaited reset of the business rates system has now recalculated both the 'baseline funding level' and the 'business rates baseline' for all English authorities, this equates to the level of funding the Government believe the Council needs versus what it can collect in Business Rates. Councils whose actual business rates fall below their new baseline will receive a "safety net" payment to bring them up to 100% of the baseline level. This safety net is only guaranteed for the 2026/27 financial year and will fall to 97% and 92.5% in 2027/28 and 2028/29 respectively. Any growth above the baseline will be subject to a marginal levy paid to Central Government.
- 6.4 New multipliers have also been introduced, with businesses in the Retail, Hospitality and Leisure service paying a lower rate. Nationally, this change is being funded by a new higher multiplier on hereditaments with rateable values of over £500,000.
- 6.5 In recent years, the Council has participated in a Business Rates pool with other Lancashire authorities, which allowed any levy amounts to be retained within the area. However, due to the reset and the increased risk of authorities falling into a safety net position, the pool will not continue into 2026/27.
- 6.6 The funding baseline is set for the settlement period and will increase only with inflation. However, the Standard model assumes 2% retained growth from 2027/28 onwards. The Pessimistic Model assumes income will stagnate in years two and three due to limited growth and potential declines arising from appeals, business closures, and higher non-payment rates. The Optimistic Model assumes a 3% annual increase from 2027/28 onwards. These assumptions are indicative rather than precise at this stage, and the Council will need to maintain financial flexibility to manage potentially significant variations in funding.

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. For 2025/26 the agreed increase to salaries was 3.2%.
- 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, with trade unions pressing for much higher pay awards across the public sector.
- 7.4 The Standard Model for 2026/2027 has assumed wage settlements of around 2.5%, and this is maintained across the MTFS period. The Pessimistic Model therefore outlines the impact on the Council's finances if Wage Settlements were at 4% for all years above the current inflation rate of 3.4%.
- 7.5 This level of wage settlement is a major contributor to pushing the savings target under the Pessimistic Model to 14.17% in 2027/2028 and to 16.01% in 2028/2029 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 1% in 2026/2027 and all the remaining years.

PENSION COSTS

- 8.1 2026/27 marks the beginning of a new triennial valuation period for employer pension contributions. The Council will see a significant reduction in its pension costs to 0%, the rate is currently 13.6% for the 2023/24 – 2025/26 period. This will result in a saving of approximately £1.488m annually for the Council. The reduction is primarily due to a large surplus on Hyndburn Council's element of the pension fund, £48.770m as at 31 March 2025.
- 8.2 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.

CONT. CHANGES IN COSTS

SUPPLIES & SERVICES COSTS

9.1 The Office for National Statistics (ONS) data shows that the Retail Price Index has risen sharply since April 2021 and reached 3.8% in December 2025. The Government's preferred inflation measure, the Consumer Price Index, increased to 3.4% in December 2025 from 2.5% a year earlier. Although inflation is expected to ease, it is still forecast to remain around 2.5% in 2026/27.

9.2 The MFTS initially assumed that inflation—particularly energy costs—would increase non-salary service and supply costs by 3% in 2026/27 and 2% in subsequent years. However, due to the significant budget reductions arising from Fair Funding and the need for organisational growth, the Council has

applied a reduction equivalent to non-contractual inflation across supplies and services, effectively capping budgets at 2025/26 levels. This is expected to deliver approximately £0.250m in savings before annual inflationary increases of £186,000 in 2027/28 and £189,000 in 2028/29 are reinstated.

9.3 The Pessimistic Model assumes that energy prices do not subside in 2025/26 and that inflation is 5% rather than 3% 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 2025/2026 has been facing significant 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 2026/2027 budget.

10.2 These costs include items such as:

- Additional irrecoverable costs from Housing Benefits / Supported Accommodation
- Council Tax recovery costs
- ICT expenditure pressures

10.3 The total costs of these budget pressures included in 2025/2026 are £0.512m.



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 £56.509m for 2025/2026. 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 2026/27 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 2026/2027. The full programme is detailed in the Capital Programme 2026/2027 report to be approved by Council on 26th February 2026.
- 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 previous years, it remains essential that the Council limits capital spending to the resources it has available and avoids borrowing to fund projects. Borrowing would place additional pressure on the Revenue Budget, increasing the savings required across the organisation and leading to more difficult decisions about key service priorities.
- 11.6 To support our Capital Programme, we will continue to allocate any additional revenue, such as Collection Fund surpluses or extra investment income, whenever these resources are available and not required to underpin the Revenue Budget. This will also include any in-year savings generated and any capital receipts.
- 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 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

CONT. CAPITAL COSTS

around curtailing capital expenditure or using some stop gap funding including short term borrowing may be necessary.

GROWTH

12.1 The Council undertook an organisational review in late 2025, the outcome of this review highlighted service areas within the Council that required additional resources to enable the Council to fulfil its key corporate objectives over the coming financial years. From 2026/27 onwards, the MTFS therefore incorporates a series of growth assumptions. These relate primarily to the creation or amendment of posts within key service areas as identified by the organisation review. The affected areas include:

- Planning
- Legal
- Facilities
- Community Safety
- Leisure and Sport

12.2 The growth proposals also include additional costs for equalisation of pay terms and conditions and training that prepares staff to be best placed for the forthcoming local government review in April 2028.

12.3 The Council is also introducing a new statutory function around separate food waste collection from April 2026. Some of the cost of this new food waste service is now included within the Council's finance settlement. This is difficult to identify.

12.4 The total estimated cost of all growth items is approximately £4.2 million over the MTFS period.



RESERVES

13.1 Over the last 20 years, the Council has been able to rebuild its Revenue Reserves. The general reserve balances at the 31st March 2025 were just over £2.462m and earmarked reserves of £15.685m and Capital receipts and grants unapplied of £12.078m, totaling £30.225m 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, 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 this year through a forecast underspend in 2025/2026 and has planned set asides for future commitments on capital expenditure. However, it may be necessary to use reserves to meet pressures in the revenue budget following reductions in government funding.

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.
- emergencies 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 Local Government Reorganisation

13.6 An updated forecast on the level and proposed movements in reserves is contained within the Revenue Budget report 2026/2027.

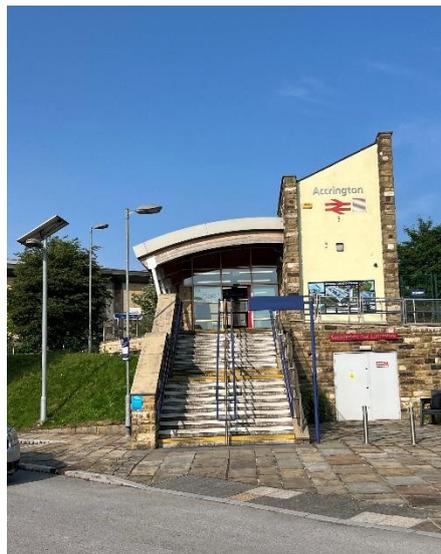


OTHER ASSUMPTIONS

14.1 The MTFS assumes that the Council is able to present a balanced budget each year, to 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. The 3-year settlement period has brought more certainty around government funding over the full MTFS period; therefore, the scenarios are now more in line. 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 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.
- Political tensions across the globe subside.
- The global economy enters a period of steady 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 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 MTFS 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 higher expenditure pressures and lower estimated income generation.
- 16.4 It is also assumed that Council Tax revenues only increase from a 1% uplift in the amount charged per household. This limits revenue from Council Tax to £6,213,200 in 2027/2028 and £6,294,700 in 2028/2029. Likewise, it is assumed that Business Rate income will flat line over the period. This may be due to new property growth being offset by business closures, successful appeals against the new rating levels and continuing high levels of default due to economic stagnation. Overall resources available to the Council are down over £0.149m in 2027/28 and £0.305m in 2028/2029. In this scenario and the gap has widened to over £6.396m.
- 16.5 The Pessimistic Scenario allows for an extra 1.5% increase in wage costs over those included in the standard model for the MTFS period. This adds £0.678m 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 £0.091m in 2026/27 compared to the Standard Model and they outstrip the same position again in 2027/28 by a further £0.276m and by £0.296m again in 2028/29.
- 16.8 The combined impact of all these potential changes is illustrated at Appendix 2 and shows that the savings target for 2026/27 would be 3.19% at £0.580m and that the savings target would increase to £2.634m or 13.72% in 2027/28 and a further £3.164m or 15.62% in 2028/2029 requiring over £6.378m of in-year savings to be made over the next 3 years.
- 16.9 While it is viewed as unlikely, it is possible, that all these factors would combine against the Council. Therefore, the Pessimistic Scenario at Appendix 2 illustrates the Councils position should these assumptions materialise. This would require the Council to take a

CONT. SCENARIO BREAKDOWNS

CONT. PESSIMISTIC SCENARIO

series of much tougher decisions around its spending plans and priorities.

- 16.10 The level of savings required under the Pessimistic Scenario would put the Council's finances under severe strain. 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.

STANDARD MODEL

- 17.1 The Standard Model which shows the most likely single position, predicts that the Council will be able to deliver a balanced budget for 2026/27, however this is predicated on circa £0.500m of savings being achieved within service expenditure.
- 17.2 As discussed earlier in this report the delivery of a 3-year settlement by MHCLG has provided much needed certainty and stability around the level of financing for the Council over the medium term.
- 17.3 However, the £6.35m disparity between the levels of government funding notified through the settlement and previous MTFS assumptions will place considerable pressure on the Council over the course of the MTFS period. The standard model assumes a budget gap of 12.31% of the expenditure budget in 2027/28 and 15.35% 2028/29. This is a considerable challenge and may require the use of reserves and other one-off

measures to bridge the gap in the respective financial years.

- 17.4 In our Standard Model we have assumed a 2.5% increase in payroll cost as a result of the annual pay award for the MTFS period.
- 17.5 Outside of salaries, inflationary increases have been frozen on non-contractual supplies and services to 2025/26 level. This forms approximately half of the savings target required to balance the 2026/27 budget.

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 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 will provide Government Grants to the Council at the level they have indicated through the LGFS with a significant level of uplift and that this continues over the following 2 years. The Scenario also assumes buoyant tax

CONT. SCENARIO BREAKDOWNS

revenues from Council Tax and Business Rates with 3% growth in the Council Tax Revenues each year after 2026/27 and similar levels of increases achieved in Business Rates income. With the increases coming from a mixture of growth and tax increases.

- 18.3 These assumptions boost the Council's overall revenues by £3.552m over the 3 years up to 2028/29 compared to the Standard Model. With the financial pressures in this scenario and wage inflation almost £0.669m lighter and supplies and service costs £0.178m less.
- 18.4 As with the Pessimistic Scenario, the Optimistic Scenario painted here would be at the extreme end of potential range of events and is therefore viewed as unlikely to occur in its entirety.

COURSE OF ACTION

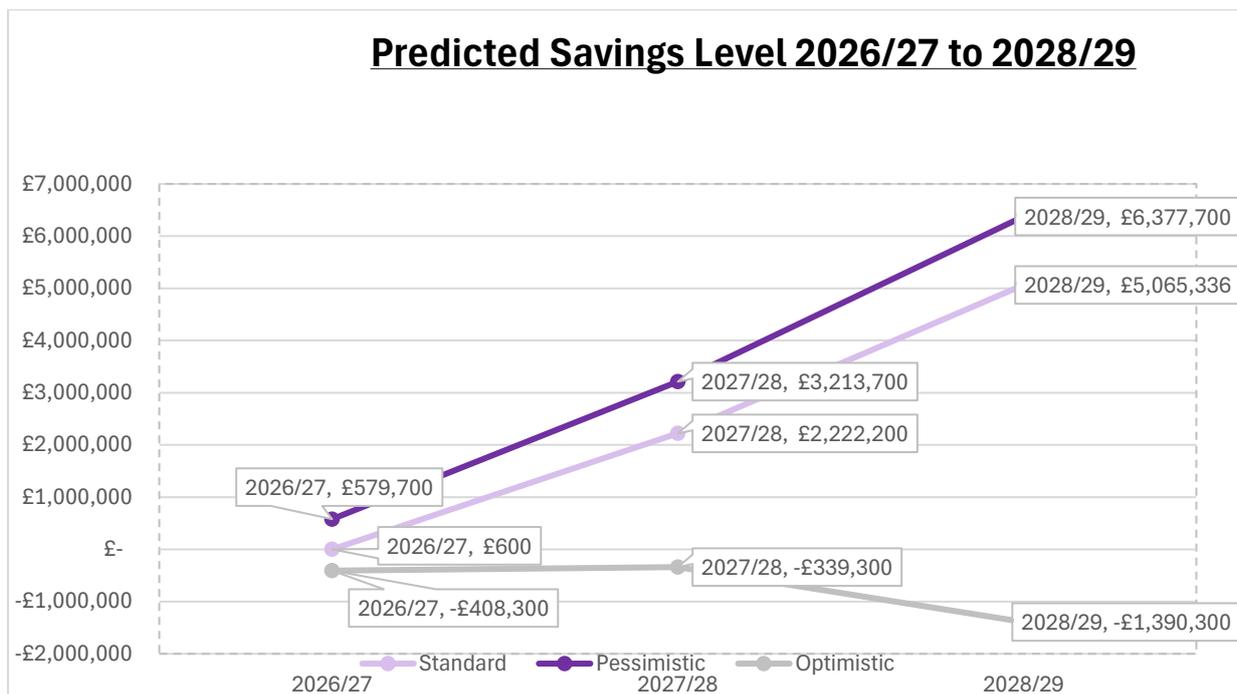
- 19.1 Given the current uncertainties, it is not possible to determine which outcome is most likely from the range of scenarios. It is clear, however, that the downside risks would have the greatest impact on the Council's financial resilience. On balance, the Council's position is expected to fall somewhere between the Standard Model and the Pessimistic scenario. In this context, a prudent approach—maintaining high reserve levels, strengthening income streams wherever possible (particularly through council tax, business rates, and fees and charges), and avoiding new ongoing spending commitments—will give the Council the best chance of managing the challenges ahead. Without such
- measures, the Council may face significant difficulties in sustaining a balanced budget and delivering its core services. 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.
- 19.2 The divergence between the Pessimistic and Optimistic Models in terms of annual savings that need to be identified is £0.988m for 2026/27, £2.565m for 2027/28 and £4.215m in 2028/29. The cumulative difference is almost £7.786m 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 a volatile international environment. 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 the budget gaps in future financial years can be closed.
- 19.3 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

19.4 The figures in Appendix 1 therefore illustrate the best estimated position, while the space between the Standard Model prediction and the Pessimistic

Scenario indicates the range of challenges the Council could face if the economic pressures continue to



manifest themselves and inflationary pressures manifest.

over a long period of time makes this more difficult each year.

19.5 This Standard Model indicates a balanced budget can be achieved in 2026/27 following a rigorous savings programme for the year. The savings requirement for the following year is much larger at £2.222m and £2.843m the following year. The latter two years' target require savings to balance the Budget of 12.31% in 2027/2028 and 15.35% in 2028/2029. The Council has achieved high levels of savings in the past, but it needs to be recognised that the cumulative impact of delivering savings

19.6 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 To comply with Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (Director of Finance) must report on the robustness of the estimates used for the revenue budget and the adequacy of proposed reserves. This assessment provides a longer-term view of the Council's financial resilience and the evaluation of the affordability and prudence of capital investment plans. The level of general balances and the maintenance of appropriate Earmarked Reserves, in line with the Council's Policy on Earmarked Reserves, remain essential to sustaining the Council's financial stability.

20.2 The Council operates a risk-based policy with regards to the level of unallocated general fund reserve, with balances maintained at the higher of 5% of the net revenue budget or £1m. General Balances as at 31 March 2025 are more than £2.4 so well above the minimum levels, giving the Council a strong financial foundation.

20.3 In order to reduce the risk of fluctuating borrowing costs on the Council revenue budget the Capital Programme 2026/27 once again is funded through, capital grants, receipts or revenue contributions.

20.4 The Section 151 Officer must assess the Council's financial resilience and its capacity to manage unforeseen costs arising from local and national changes over the MTFS period. The Council demonstrates its financial resilience through:

- **MTFS Updates:** Ongoing review of key assumptions and forecasts to maintain accuracy and robustness.

- **Budget Risk Assessment:** Annual evaluation of the General Fund Balance to ensure it can absorb identified risks.
- **Reserves Policy:** Yearly review to maintain a strategic approach to creating and managing Earmarked Reserves.
- **Capital Programme Monitoring:** Regular monitoring to confirm that capital estimates remain affordable and prudent.
- **Scrutiny and Audit Oversight:** Member scrutiny of revenue and capital positions, alongside reviews of financial resilience and reserves.
- **Internal and External Audit:** Independent audits of financial management and governance, including fundamental financial systems.

20.5 The general robustness of the forecasts beyond 2026/27 has been substantially increased compared to recent financial years due to the receipt of a multi-year financial settlement. However, uncertainties will always remain. This will necessitate the Council taking a defensive position in managing its finances and having to lock more funds into reserves where possible to cope with the negative outcome of the fair funding review. In addition, the Council has put forward a significant savings programme over the MTFS period, which will need to be closely monitored through the Council's regular budget monitoring processes, as any variance from the proposed savings plan will place additional pressure on future financial years.

OVERALL NET POSITION

21.1 The Council faces continuing pressure on its finances over the next 3 years. The 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 Exceptional Financial Support has been provided to 30 Councils during 2025/26, with 8 Councils receiving support for prior years. The Ministry of Housing Communities and Local Government (MHCLG) has also directed that for the first time additional expectations have been set out to protect treasured community assets, culture and identity, with councils using capitalisation instructed not to dispose of community and heritage assets.

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 £5.062m 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.

| | 2026/27 £'000 | 2027/28 £'000 | 2028/29 £'000 |
|--|------------------|------------------|------------------|
| Net Expenditure | 17,608 | 18,055 | 18,520 |
| Total Resources | (17,607) | (15,833) | (15,677) |
| In Year Funding Gap / (Surplus) | 0 | 2,222 | 2,843 |
| Cumulative Funding Gap / (Surplus) | 0 | 2,222 | 5,065 |
| Percentage Savings Required to Balance Budget | 0.00% | 12.31% | 15.35% |

23.2 The following table represents the Councils proposal to fund in year budget deficits. This is split between savings proposals incorporated into the budget process, leaving a budget gap in 2027/2028 onwards. It is proposed that the Council would use balances of Usable reserves to bridge these gaps.

| Potential Savings over the MTFS | 2026/27 | 2027/28 | 2028/29 |
|-----------------------------------|------------|--------------|--------------|
| | £'000 | £'000 | £'000 |
| Staff Turnover | 150 | 150 | 150 |
| Operational Buildings Review | 70 | 70 | 70 |
| Procurement / Contract Management | 30 | 30 | 30 |
| Supplies and Services Inflation | 250 | 250 | 250 |
| Savings included in Budget | 500 | 500 | 500 |
| Budget GAP in Year | - | 2,222 | 2,843 |
| | - | (2,222) | (2,843) |
| Total | - | 0 | 0 |

23.3 The Final Local Government Finance Settlement announced in February 2026 requires the Council to deliver savings of approximately £0.500m to align expenditure with available resources. Despite this, a budget gap of over £5m remains in future years. Reliance on reserves is not a sustainable strategy, although the expectation from the government is that where possible, Councils are to use reserve balances to fund budget gaps over the period of their Medium-Term Financial Strategy. While the Council has a strong record of achieving savings, it is essential that it continues to plan proactively through its savings and transformation programme to meet future financial pressures.

APPENDIX 1

STANDARD MODEL 2026/27 TO 2028/29

| | 2026/27 £'000 | 2027/28 £'000 | 2028/29 £'000 |
|--|------------------|------------------|------------------|
| Service Expenditure Budgets | | | |
| Prior Year Service Expenditure Budgets (Before Identified Pressures) | 16,241 | 16,727 | 17,199 |
| Inflationary Increases: | | | |
| Salaries & Wages | 628 | 365 | 374 |
| Utilities | (158) | 12 | 12 |
| Supplies & Services | 181 | 175 | 178 |
| Changes in Service Grant Income | (229) | - | - |
| Changes in Service Fees and Charges Income | 64 | (80) | (82) |
| Housing Benefit Subsidy & Administration | - | - | - |
| Subtotal | 16,727 | 17,199 | 17,681 |
| Identified Budget Pressures/Savings: | | | |
| Pension Contribution Savings | (1,488) | (1,522) | (1,560) |
| Food Waste Collection | 300 | 309 | 318 |
| Additional Interest Payable - Leasing | 188 | 188 | 188 |
| Additional MRP - Leasing | 209 | 209 | 209 |
| Indoor Markets operations Costs | 300 | 309 | 318 |
| Market Chambers Operating Costs | - | 120 | 120 |
| Growth - Additional Posts | 360 | 369 | 378 |
| Growth - Additional Salary Costs | 346 | 355 | 364 |
| Vacancy Management Savings | (150) | (150) | (150) |
| Operational Building Review and Procurement - Savings | (100) | (100) | (100) |
| Supplies and Services - Savings | (250) | (258) | (266) |
| Total Service Expenditure | 16,442 | 17,028 | 17,500 |
| Non-Service Expenditure Budgets | | | |
| Investment Income | (603) | (503) | (503) |
| Interest Payable | 481 | 481 | 481 |
| Minimum Revenue Provision | 1,085 | 1,085 | 1,085 |
| Capital Charges | 4 | 4 | 4 |
| Total Non-Service Expenditure | 967 | 1,067 | 1,067 |
| Contributions to/from Reserves | | | |
| Contributions from Reserves | (92) | (190) | (197) |
| Contributions to Reserves | 291 | 150 | 150 |
| Total Contributions to/from Reserves | 199 | (40) | (47) |
| Net Expenditure | 17,608 | 18,055 | 18,520 |
| Resources | | | |
| Revenue Support Grant | (5,715) | (4,841) | (3,931) |
| Recovery Grant | (390) | (390) | (390) |
| Funding Floor Payments | - | - | (446) |
| Homelessness, Rough Sleeping and Domestic Abuse Grant | (722) | (730) | (735) |
| Adjustment Support Grant | (458) | - | - |
| Transitional Support Grant | (183) | - | - |
| Total Non-Ringfenced Government Grants | (7,468) | (5,961) | (5,502) |
| Business Rates Income Retained | (3,955) | (3,514) | (3,584) |
| Council Tax Requirement | (6,184) | (6,358) | (6,591) |
| Total Resources | (17,607) | (15,833) | (15,677) |
| In Year Funding Gap / (Surplus) | 0 | 2,222 | 2,843 |
| Cumulative Funding Gap / (Surplus) | 0 | 2,222 | 5,065 |
| Percentage Savings Required to Balance Budget | 0.00% | 12.31% | 15.35% |

APPENDIX 2

PESSIMISTIC MODEL 2026/27 TO 2028/29

| | 2026/27 £'000 | 2027/28 £'000 | 2028/29 £'000 |
|--|------------------|------------------|------------------|
| Service Expenditure Budgets | | | |
| Prior Year Service Expenditure Budgets (Before Identified Pressures) | 16,241 | 17,306 | 18,339 |
| Inflationary Increases: | | | |
| Salaries & Wages | 847 | 592 | 616 |
| Utilities | (140) | 31 | 32 |
| Supplies & Services | 443 | 449 | 472 |
| Changes in Service Grant Income | (229) | - | - |
| Changes in Service Fees and Charges Income | 144 | (39) | (40) |
| Housing Benefit Subsidy & Administration | - | - | - |
| Subtotal | 17,306 | 18,339 | 19,419 |
| Identified Budget Pressures: | | | |
| Pension Contribution Savings | (1,488) | (1,522) | (1,560) |
| Food Waste Collection | 300 | 309 | 318 |
| Additional Interest Payable - Leasing | 188 | 188 | 188 |
| Additional MRP - Leasing | 209 | 209 | 209 |
| Indoor Markets operations Costs | 300 | 309 | 318 |
| Market Chambers Operating Costs | - | 120 | 120 |
| Growth - Additional Posts | 360 | 369 | 378 |
| Growth - Additional Salary Costs | 346 | 355 | 364 |
| Vacancy Management Savings | (150) | (150) | (150) |
| Operational Building Review and Procurement - Savings | (100) | (100) | (100) |
| Supplies and Services - Savings | (250) | (258) | (266) |
| Total Service Expenditure | 17,021 | 18,168 | 19,238 |
| Non-Service Expenditure Budgets | | | |
| Investment Income | (603) | (503) | (503) |
| Interest Payable | 481 | 481 | 481 |
| Minimum Revenue Provision | 1,085 | 1,085 | 1,085 |
| Capital Charges | 4 | 4 | 4 |
| Total Non-Service Expenditure | 967 | 1,067 | 1,067 |
| Contributions to/from Reserves | | | |
| Contributions from Reserves | (92) | (190) | (197) |
| Contributions to Reserves | 291 | 150 | 150 |
| Total Contributions to/from Reserves | 199 | (40) | (47) |
| Net Expenditure | 18,187 | 19,195 | 20,258 |
| Resources | | | |
| Revenue Support Grant | (5,715) | (5,715) | (5,715) |
| Recovery Grant | (390) | (390) | (390) |
| Funding Floor Payments | - | - | (446) |
| Homelessness, Rough Sleeping and Domestic Abuse Grant | (722) | (730) | (735) |
| Adjustment Support Grant | (458) | - | - |
| Transitional Support Grant | (183) | - | - |
| Total Non-Ringfenced Government Grants | (7,468) | (6,835) | (7,286) |
| Business Rates Income Retained | (3,955) | (3,513) | (3,513) |
| Council Tax Requirement | (6,184) | (6,213) | (6,295) |
| Total Resources | (17,607) | (16,561) | (17,094) |
| In Year Funding Gap / (Surplus) | 580 | 2,634 | 3,164 |
| Cumulative Funding Gap / (Surplus) | 580 | 3,214 | 6,378 |
| Percentage Savings Required to Balance Budget | 3.19% | 13.72% | 15.62% |

APPENDIX 3

OPTIMISTIC MODEL 2026/27 TO 2028/29

| | 2026/27 £'000 | 2027/28 £'000 | 2028/29 £'000 |
|--|------------------|------------------|------------------|
| Service Expenditure Budgets | | | |
| Prior Year Service Expenditure Budgets (Before Identified Pressures) | 16,241 | 16,318 | 16,238 |
| Inflationary Increases: | | | |
| Salaries & Wages | 409 | 144 | 145 |
| Utilities | (158) | 6 | 6 |
| Supplies & Services | 181 | 87 | 88 |
| Changes in Service Grant Income | (338) | (113) | (116) |
| Changes in Service Fees and Charges Income | (17) | (204) | (214) |
| Housing Benefit Subsidy & Administration | - | - | - |
| Subtotal | 16,318 | 16,238 | 16,147 |
| Identified Budget Pressures: | | | |
| Pension Contribution Savings | (1,488) | (1,522) | (1,560) |
| Food Waste Collection | 300 | 309 | 318 |
| Additional Interest Payable - Leasing | 188 | 188 | 188 |
| Additional MRP - Leasing | 209 | 209 | 209 |
| Indoor Markets operations Costs | 300 | 309 | 318 |
| Market Chambers Operating Costs | - | 120 | 120 |
| Growth - Additional Posts | 360 | 369 | 378 |
| Growth - Additional Salary Costs | 346 | 355 | 364 |
| Vacancy Management Savings | (150) | (150) | (150) |
| Operational Building Review and Procurement - Savings | (100) | (100) | (100) |
| Supplies and Services - Savings | (250) | (258) | (266) |
| Total Service Expenditure | 16,033 | 16,067 | 15,966 |
| Non-Service Expenditure Budgets | | | |
| Investment Income | (603) | (503) | (503) |
| Interest Payable | 481 | 481 | 481 |
| Minimum Revenue Provision | 1,085 | 1,085 | 1,085 |
| Capital Charges | 4 | 4 | 4 |
| Total Non-Service Expenditure | 967 | 1,067 | 1,067 |
| Contributions to/from Reserves | | | |
| Contributions from Reserves | (92) | (190) | (197) |
| Contributions to Reserves | 291 | 150 | 150 |
| Total Contributions to/from Reserves | 199 | (40) | (47) |
| Net Expenditure | 17,199 | 17,094 | 16,986 |
| Resources | | | |
| Revenue Support Grant | (5,715) | (5,887) | (6,063) |
| Recovery Grant | (390) | (402) | (414) |
| Domestic Abuse Safe Accommodation Grant | - | - | (446) |
| New Homes Bonus | (722) | (730) | (735) |
| Adjustment Support Grant | (458) | - | - |
| Transitional Support Grant | (183) | - | - |
| Total Non-Ringfenced Government Grants | (7,468) | (7,019) | (7,658) |
| Business Rates Income Retained | (3,955) | (3,618) | (3,726) |
| Council Tax Requirement | (6,184) | (6,388) | (6,653) |
| Total Resources | (17,607) | (17,025) | (18,037) |
| In Year Funding Gap / (Surplus) | (408) | 69 | (1,051) |
| Cumulative Funding Gap / (Surplus) | (408) | (339) | (1,390) |
| Percentage Savings Required to Balance Budget | -2.37% | 0.40% | -6.19% |