

Report Title	Update to Medium Term Financial Plan 2026/29
Meeting	Executive
Meeting Date	20 th November 2025
Report Author	Karen Spencer Director of Resources
Directorate	Resources
Lead Executive Member(s)	Cllr David Whipp Leader of the Council
Wards Affected	All
Public. Part Exempt, or Fully Exempt	Public
Appendices (if any)	App A – Summary Medium Term Financial Plan 2026/29 App B – Assessment of Funding (Fair Funding Review 2.0) App C – Forecast of Reserves and Balances 2026/29 App D and E – Scenario Analysis

1. Executive Summary

- 1.1 This report provides an update the Council's Medium Term Financial Plan 2026/27 to 2028/29.
- 1.2 Councillors are aware of the challenging financial position of the Council. This is set against a backdrop of significant uncertainty. The national financial position remains a challenge with the prospect of a tight funding settlement for Local Government. Added to that is the Government's ambition to reform the Local Government Finance System, details of which are provided in the report.
- 1.3 The Council's Medium Term Financial Plan 2026/29 shows a funding deficit of £3.043m, with the most immediate issue being a funding gap of £1.491m in 2026/27.
- 1.4 The Council's strategy of '*Grow, Charge, Save and Stop*' combined with a prudent use of reserves continues to be pursued. This report reaffirms this and sets out an approach within that framework as a means of delivering a balanced budget in 2026/27.

2. Recommendations

For the reasons set out in this report, Executive is recommended to:

- 2.1 note the update the Medium Term Financial Plan 2026/29 as presented at Appendix A and acknowledge the challenging financial position of the Council;
- 2.2 note the significant amount of uncertainty with future funding allocations due to the Government's proposed Local Government Finance reforms;
- 2.3 Note the scenario analysis shown at Appendix D and E which models 'worst/better' case scenarios around the baseline MTFP as part of the assessment of potential financial risks facing the Council.
- 2.4 request the Corporate Leadership Team to identify and bring forward budget proposals that will achieve a balance and sustainable budget for 2026/27;
- 2.5 subject to the work above and agreement with the Portfolio Holder for Finance, agree that some form of public and business-based consultation on the Council's budget (and corporate priorities) should take place to inform decisions on the Council's budget for 2026/27.

3. Information: the Rationale & Evidence for the Recommendations

Background

- 3.1 At the meeting of the Council on 27th February 2025, Councillors considered a report on the General Fund Revenue Budget 2025/26 and the Medium Term Financial Plan 2025/28. Following the debate on this report, and amongst other matters, it was resolved that the Medium Term Financial Forecast position for 2025/28 and the savings required over the period be approved.
- 3.2 At that time, it was stressed that the Medium Term Financial Forecast position of the Council was untenable and that the reliance on reserves to balance the budget is unsustainable. To that end, the advice to Councillors was that in the absence of effective plans to reduce the reliance on reserves during the period, the possibility of having to obtain exception financial support coupled with statutory intervention by the Government remained a real risk. That position remains unchanged.
- 3.3 Given this, and the range of matters referred to below, there is a need to consider carefully the development of a Financial Strategy that will both support the delivery of Council services and the need to ensure the Council's financial position remains sustainable.

- 3.4 The future funding of Local Government is a key part of any Financial Strategy. In June 2025, the Government delivered its Spending Review 2025 (SR2025), setting out Departmental Budgets (NHS, Defence, Education, Local Government etc) for day-to-day spending to 2028/29 and capital investment 2029/30. Whilst SR2025 did not provide individual local authority funding allocations, it did set out funding allocations for Local Government as a whole. Local Government's Departmental Expenditure Limit will increase from £15bn in 2025/26 to £15.8bn in 2028/29, representing an average annual real growth of 1.1% over the period. It was also announced that Core Spending Power for Local Government will grow by an average of 2.6% annually from 2025/26 to 2028/29 (of which 80% is projected to be from Council Tax increases).
- 3.5 SR2025 also referenced the planned reforms to the Local Government Finance system. The Executive may recall that the Government committed to undertaking a reform of the Local Government Finance System when first elected. As part of the Local Government Finance Settlement for 2025/26, the Government opened up a consultation on the objectives and principles of local authority funding reforms ([Local authority funding reform: objectives and principles - GOV.UK](#)) which sought views on the approach to determining new funding allocations for local government through the Local Government Finance Settlement.
- 3.6 A subsequent consultation was undertaken between June and August 2025 which set out more details of the proposed reforms. The Fair Funding Review 2.0 ([The Fair Funding Review 2.0 - GOV.UK](#)) covered a range of matters including the following:-
- the approach to consolidating funding;
 - measuring differences in demand for services and the cost of delivering them;
 - measuring differences in locally available resources;
 - the future of the New Homes Bonus;
 - transitional arrangements and keeping allocations up-to-date;
 - a long-term approach to the business rates retention system;
 - devolution and wider reforms, including how Strategic Authorities can be brought within the Local Government Finance Settlement;
 - ways to reduce demands on local government to empower them to deliver for communities;
 - sales, fees and charges reform.
- 3.7 The outcome of the Fair Funding 2.0 will not be known until the Government announces the provisional Local Government Finance Settlement later this year (but more details of it are provided below).

- 3.8 Similarly, the Government's expectations for more devolution and Local Government Reorganisation (LGR) in two tier areas (and adjoining small unitary authorities) has the potential to significantly impact on the development of the Council's Financial Strategy, particularly if there is a decision to create new Unitary Councils in Lancashire. On the basis of current timelines, and as outlined in a report elsewhere on the Agenda for this meeting, proposals for LGR must be submitted to Government by 28th November 2025 with the likelihood that the Government will decide on LGR in Lancashire before the Parliamentary Summer recess in 2026.
- 3.9 With these matters in mind, the detailed development of the Financial Strategy will be deferred until 2026/27 when it is hoped there will be greater clarity about the structure of local government, the amount of funding available to it over the medium term and how that funding will be distributed to individual Councils.
- 3.10 In the meantime, the objective of achieving a sustainable budget over the medium term remains and the strategic framework based around the '*grow, charge, save and stop*' model will provide the foundation on which the Council's financial plans will be developed and implemented. **And as important, irrespective of LGR, the Council is still required to have a balanced budget in 2026/27.**
- 3.11 As part of the existing Financial Strategy, regular updates are provided on the Council's Medium Term Financial Plan (MTFP). This acknowledges that the Council is operating in a dynamic environment and that the assumptions underpinning the MTFP are subject to regular change, and therefore it is good practice to review and update the MTFP on a regular basis.
- 3.12 To that end, work has been undertaken to update the Council's Medium Term Financial Plan (MTFP) 2026/29 to ensure that the Council has a good understanding of its forward financial forecasts and is able to start planning for the development of the budget in 2026/27. In view of the significant funding deficit identified, it is vital that the Council continues to identify ways a sustainable budget can be agreed at the earliest opportunity.
- 3.13 Responsibility for doing this rests with the Executive. But, to allow the Executive to discharge its responsibility to do this, there is an obligation on the Corporate Leadership Team to identify, develop and bring forward proposals for consideration, hence the recommendations in this report.

Funding Outlook

- 3.14 Any consideration of the Council's Financial Strategy and Medium Term Financial Plan must be undertaken in the context of the funding outlook for Local Government and what that means for the Council.
- 3.15 The funding outlook for the Council is, in broad terms, a function of the quantum of funding allocated to Local Government as part of the Government's overall Departmental Spending allocations and how that funding allocation is distributed to individual Councils.

- 3.16 The quantum of funding for Local Government has been determined following SR2025 in June 2025, more details of which were provided earlier in this report. The distribution of funding between Councils is subject to the outcome of the Fair Funding Review 2.0 (and, indeed, other work such as the review of the Business Rate Retention Scheme, the Revaluation of Business Rates etc). As indicated above, the outcome of this work along with the Council's funding allocations for 2026/27 to 2028/29 (the Government has indicated it will provide medium-term funding allocations) will not be known until the provisional Local Government Funding Settlement is announced in late-December 2025.
- 3.17 In the meantime, the Government has announced that the Autumn Budget will be delivered on 26th November 2025, with a Local Government Finance Policy Statement expected to be published shortly after. Whilst funding allocations will not be known until the Provisional Local Government Finance Settlement (LGFS) is released later in December 2025, the Budget and Policy Statement are expected to provide a better indication of what will be included in the LGFS.
- 3.18 In the absence of any other information on likely funding levels post 2025/26, the best (and most recent) analysis available of the funding outlook for Local Government is as set out in SR2025 as shown above. This is the basis on which an assessment of the impact of Fair Funding 2.0 will have on the Councils; more details of this are provided below.

Update of Medium Term Financial Plan 2026/29

- 3.19 Since the meeting of Finance Council on 27th February 2025 and recognising that the Council is operating in a dynamic environment, work has continued to update the Council's Medium Term Financial Plan (MTFP) for the period to 2028/29. A summary of the updated MTFP is provided in the Table 1 below with a more detailed analysis provided at **Appendix A:-**

Table 1: Medium Term Financial Plan 2026/29

	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Portfolio Budgets	18,812	20,722	21,248	21,814
Other Corporate I & E	(4,991)	(1,051)	(680)	(575)
Net Revenue Expenditure	13,821	19,671	20,568	21,239
Less Core Funding	(5,644)	(8,664)	(8,630)	(8,667)
Less Council Tax	(7,724)	(8,015)	(8,317)	(8,629)
Change in Collection Fund	44	(1,000)	(400)	(400)
Shortfall before Reserves	497	1,991	3,221	3,543
Change in Specific Reserves	(497)	(500)	(500)	(500)
Change in GF Balance	-	-	-	-
Funding 'Gap'	-	1,491	2,721	3,043

In Year Funding 'Gap'	-	1,491	1,229	322
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See Appendix A

- 3.20 As the table indicates, the forecast funding gap for the period to 2028/29 is now estimated to be £3.043m with the most immediate issued being a funding gap in 2026/27 of £1.491m
- 3.21 The MTFP is a forecast of the Council's financial position over the period to 2028/29. There are various assumptions underpinning the development of the MTFP and equally, there remain several matters where insufficient information is available but which are likely to have a significant impact on the position reported here. Some of these assumptions and issues are set out below.

Financial Outturn 2024/25

- 3.22 Since the last update to the Council's Medium Term Financial Plan, work has concluded on the financial outturn for 2024/25. Details of this, for both the General Fund Revenue Budget and the Capital Programme, were reported to the Executive in July 2025.
- 3.23 In summary, the General Fund Revenue Outturn for 2024/25 showed an underspend of £1.468m, with an overspend on Services of £985k offset by additional investment income of £1.142m and additional s31 Grants for Business Rates of £1.163m. The impact of these matters is reflected in the updated Medium Term Financial Plan.
- 3.24 The Council's Capital Programme for 2024/25 was significantly underspent. Against a Revised Budget of £37.7m, actual expenditure was £14.2m thereby giving rise to an underspend of £23.5m. Acknowledging that the Programme comprises several significant multi-year projects, the bulk of the underspend (with associated funding) was carried forward to 2025/26.
- 3.25 More details of what the financial outturn position for 2024/25 meant for the Council's Balances and Reserves are provided below.

Delivery of the Budget in 2025/26

- 3.26 Delivering the budget in 2025/26 is critical to the sustainability of the Council's financial position. The key risks to delivery of the budget that the Executive need to remain sighted on are as follows:-
- **Pay Award in 2025/26** – this was budgeted at 3.0%. In response to the Trade Unions pay claim, the Employers pay offer was made during April 2025. The offer comprised an increase of 3.2% on all pay points SCP2 to SCP43 and, as result, will lead to an overspend of £21k in 2025/26. This is reported in the Quarter 2 Budget Monitoring report elsewhere on the Agenda for this meeting and is reflected in the updated MTFP presented in this report;

- Loss of **Housing Benefit Subsidy** because of the increasing amount of supported/exempt accommodation and the cost of dealing with homelessness through the use of temporary accommodation. This matter is exacerbated by the increasing number of Asylum Seekers who have been given right to remain in the UK and are seeking accommodation. This serves to highlight the lack of appropriate housing to accommodate these people and the need to put in place a coherent Housing Strategy to deal with it.
- **Investment Income** – the budget for investment income in 2025/26 is £1.0m. This assumes an average cash balance of £25m and an average interest of 4.0%. Whilst the Bank of England continues to review interest rates in the context of the ‘sluggish’ growth in the economy (and despite interest rates remaining above their target), current indications are that the assumptions here will hold up and the budget for investment income should be achieved;
- **Delivery of the Capital Programme** – Given the pressure on borrowing costs, there remains a need for a closer focus on the delivery of the Council’s Capital Programme within the budgets that have been agreed. The Council has embarked on some significant capital projects, some of which have both price and delivery risks that may lead to additional funding requirements. This is particularly the case with the impact of price inflation on capital costs rendering some schemes undeliverable within the funding envelopes that have been set. This may necessitate some degree of value engineering on projects, identification of additional funds and/or increasing the pace of asset disposals as part of the asset review and rationalisation process.

3.27 These and other matters will be considered in more detail as part of the regular budget monitoring reports to the Executive as the financial year progresses. Indeed, a report elsewhere on the Agenda for this meeting provides an update on both the Revenue Budget and Capital Programme as at Quarter 2 of 2025/26.

Funding Settlement from 2026/27

- 3.28 As the Executive is aware, the funding settlement for 2025/26 is for one-year only, with limited information from Government on the funding available to the Council from 2026/27.
- 3.29 It remains difficult to estimate with any certainty the likely level of funding the Council will receive from 2026/27 onwards. As indicated elsewhere in this report, the Government has undertaken a Spending Review, details of which were released in June 2025 and has started to consult on Local Government Funding reforms. The most recent consultation, the Fair Funding Review 2.0, gave the clearest indication of the Government’s approach to funding allocations for Councils and has the potential to significantly affect the Council’s funding.

3.30 The Fair Funding 2.0 consultation set out a number of key changes proposed by the Government including:-

- a reset of the Business Rates Retention System;
- the introduction of a multi-year funding settlement;
- the consolidation, simplification and streamlining of funding pots (with a simpler distributional methodology);
- funding allocations based on relative needs (with deprivation being considered a proxy for need);
- funding allocations that reflect the ability of a local authority's ability to raise Council Tax;

3.31 Amongst these key changes will be the consolidation of various specific grants into the Revenue Support Grant, to be distributed by way of a new Settlement Funding Assessment. In the Council's case, this means specific grants such as the Recovery Grant (£453k in 2025/26), Temporary Accommodation Grant (£190k in 2025/26) and National Insurance Reimbursement Grant (£112k in 2025/26) are expected to be consolidated into the Revenue Support Grant. The Government has also confirmed that New Home Bonus will end and no payments will be made from 2026/27 (the Council received £135k in 2025/26).

3.32 At the same time, with the reset of the Business Rates Retention Scheme, it is likely that the Business Rates Retention Baseline will be reset and all the s31 Grants received for Business Rates will be consolidated into the Business Rates Retention Scheme.

3.33 Taking into consideration all of these matters, an assessment of the impact of Fair Funding Review 2.0 has been undertaken to inform the development of the MTFP. An analysis of this is provided at **Appendix B** which indicates that, in comparison to comparable funding streams in the current financial year (which total £9.349m), the Council is forecast to receive funding of £8.664m in 2026/27, a reduction of £684k when compared to the current year.

3.34 It must be stressed that this assessment of Fair Funding 2.0 is subject to a range of assumptions which may have an impact on the final funding allocations. In particular, as with any change to the distribution of funding, there are certain classes of Council (Inner London Boroughs, for example) that are significantly impacted by these changes. Consequently, there is likely to be a significant lobby to against these changes to the funding distribution.

Council Tax

- 3.35 For the purposes of financial planning only, the MTFP assumes that Council Tax will increase by 2.99% in 2026/27 and each year of the plan period. An increase of 2.99% is likely to be the maximum permitted under government constraints for District Councils and these limits are expected to continue over the plan period. That said, the Council will not get confirmation of this until the Local Government Finance Settlement is announced. The reality, is that the Government's own assessment of our core spending power as part of the SR2025 assumed Councils will increase council tax by the maximum permitted each year.

Future Pay Awards

- 3.36 Pay represents a significant part of the Council's budget. As indicated above, the Pay Award for 2025/26 has been agreed at 3.2% (and is marginally more than the budgeted pay award).
- 3.37 Looking ahead, given the forecast for inflation, an average pay award of 3% is assumed for 2026/27 and 2% for each year thereafter. However, as Councillors will be aware, the Pay Award is a matter negotiated between the National Employers Organisation (as part of the collective bargaining agreement that the majority of Councils including Pendle participate in) and the National Union Organisations. Consequently, the Council is bound by the Pay Award negotiated.

Employers Pension Contributions

- 3.38 As the Executive will be aware, the Council is required to make contributions to the Lancashire Pension Fund to support the payment of pensions to employees. The current contribution rate is 20.0% and this will remain constant in 2025/26.
- 3.39 As required by statute, a triennial valuation of the Pension Fund has recently been undertaken, the results of which will inform revised contribution rates with effect from 2026/27 (for 3 years).
- 3.40 At present, the Lancashire Pension Fund is in surplus (of which the Council's share of that at 31st March 2025 was £20.6m or 123% funded). The initial results of the valuation indicate that the Council's contribution rate will reduce to 15.4% annually for the next 3 years reducing the cost of contributions by £359k. This amount has been factored into the MTFP set out in this report.

Inflation

- 3.41 At the time of writing, the Consumer Price Index (CPI) was 3.8% (September 2025), above the Bank of England's (BoE) target rate of 2.0%. According to the Monetary Policy Report in February 2025, the BoE expected inflation to continue rising in Q3 of 2025 (driven largely by global energy costs), falling back thereafter to the target rate.

- 3.42 The most significant caveats to the assumptions underpinning this forecast are the continuing instability caused by the impact of global trade tariffs announced by the US Government (and the responses by its trading partners) and the current conflicts in Ukraine and the Middle East. These continue to pose a significant risk to the global economy. Should a trade-war develop and there be any widening of the conflicts in Ukraine and/or the Middle East, given they are important to the global commodities supply, this may result in a surge in prices and with it the rate of inflation.
- 3.43 Other than for certain contracts such, for example, as the Public/Private Partnership with Liberata, for which there is an agreed bespoke inflator applied to the unitary charge payable, the Council does not generally provide for inflationary cost increases in budgets. The expectation is that Services will contain these costs which, inevitably, leads either to reduced service provision or, more likely cost overspends which would need to be managed in year.

The Pendle Leisure Trust

- 3.44 In 2025/26, the Council will provide the Trust with funding of £1.807m in support of the wide range of facilities they manage on the Council's behalf. As has been the case in previous years, the Trust has been asked to find savings/efficiencies of c£300k for 2026/27. Proposals to deliver this will be presented to the Council in due course for consideration by the Executive as part of the Council's overall budget for the year.

Other Matters

- 3.45 There continue to be a range of matters that will have an impact on the development of the Council's budget (whether that is revenue or capital). As well as the range of pressures set out above, there are some specific service-related matters where there will need to be a 'watching brief' to ensure that any decisions impacting on the Council's budget are reflected accordingly. These include:-

- **Changes to Waste and Recycling** – the Environment Act 2021 includes a wide range of changes that will impact on the Council, generally in relation to environmental matters and more specifically as the Waste Collection Authority. These include, for example:-
 - the implementation of a **Weekly Food Waste Collection Service** from April 2026. This is estimated to cost around £1.6m annually and whilst the Government has indicated that it will provide New Burdens funding to meet these additional costs, no information has yet been made available about the sustained revenue funding to be made available for the roll out of the Scheme in full. This is anticipated and is likely to be announced as part of the Local Government Finance Settlement.

- the **Extended Producer Responsibility** which makes sure producers pay the 'full net cost of recovery' for the packaging that they produce. In 2025/26, the Council is due to receive £872k funding for EPR and is expecting further payments from 2026/27;
- the introduction of a **Deposit Return Scheme** (where consumers pay a deposit for a single-use container at the point of purchase which is then refunded to the consumer when they return the container for recycling);
- **Waste Transfer** – As Councillors will be aware, the Council has been informed by Lancashire County Council that the arrangements for the transfer of waste from Pendle are changing. This matter has been reported to the Executive on several occasions, most recently in August 2025 where the cost of responding to these changes was estimated between £560k and £2.6m. An amount of £560k is assumed in the MTFP although work is underway in an effort to reduce this cost.
- **Climate Change and achieving Net Zero** – as with other Councils, the Council declared a Climate Emergency in 2019 and has committed to making Pendle carbon neutral by 2030, considering the production and consumption of emissions.

At the meeting of Council in July 2025, the Council adopted a Climate Change Strategy for Pendle and approved a range of actions for implementation. These focused on energy efficiency and consumption, renewable energy generation, low carbon transport, climate adaptation and mitigation and natural capital and green solutions. Implementation of these actions will be overseen by the Climate Change Working Group.

- **Capital Investment Plans** – the Council has been successful in securing a range of funding (Nelson Town Deal, Levelling Up Funds etc) to deliver a range of projects. In most cases, these projects require some amount of match and third-party funding which, where identified, has been factored into the Council's Capital Programme.

These projects are at differing stages of delivery, with some still in the planning stages and others on-site, being delivered. As with any projects of this nature, there are risks around delivery that require active management to ensure they are delivered on time and within budget. Indeed, should there be any variation in the budget required for capital projects, additional funding will have to be found from within the Capital Programme rather than additional borrowing, which would only serve to increase the funding deficit set out in this report.

- **Local Government Reorganisation** – once the Government has decided which Unitary option will be implemented, the Council will be required to contribute towards the transitional cost of implementation. The current estimate based on experience elsewhere is that this will cost the Council in the region of £1.5m - £2m. This is not included in the MTFP and will need to be funded. At this stage, it is assumed the funding for this will come from the Council's reserves.

3.46 Overlaying these issues are various internal matters that also represent key areas of uncertainty. These include, for example, the following matters:-

- **Implementing the Council Plan** – The latest update on the delivery of the Council Plan is provided in a Performance Report elsewhere on the Agenda for this meeting. The Council continues to take action to deliver against the Council Plan for the period to 2028. There remains a strong link between the Council's priorities and its ability to deliver them within the resources available. This is likely to require both an iterative approach to service and financial planning and consideration of innovative ways of delivering priority actions;
- **Stability in the Workforce** – the Council continues to experience difficulties with the recruitment and retention of staff in several business areas. This is a broader sectoral issue and not necessarily unique to Pendle Borough Council hence it is a matter that it both the Government and the Local Government Association are taking action on, eg additional funding to recruit Planning Officers;
- **Use of Reserves** – The MTFP assumes a limited use of reserves in the period to 2028/29. Consideration has been given to the extent to which reserves can support the Council's Budget Strategy and this is considered elsewhere in this report;
- **Capitalisation of Staffing Costs** – In setting the budget for 2025/26, a review of capitalised staffing costs was undertaken to ensure that only those costs associated with staff involved in the delivery of capital projects were capitalised. These staff are actively involved in the delivery of capital projects. However, once projects are delivered, the Council will need to consider to what extent those staff employed on the projects are required and how, if they are required, their costs will be funded. Where they are not required, consideration will need to be given to the costs of 'exit' from the organisation;
- **Availability of External Funding** – As indicated above, the Council has a good track record in obtaining revenue and capital external funding as a means of regeneration and/or expanding the delivery of services across Pendle.

The sustainability of funding streams is dependent largely on Government, their policy programme and their capacity to continue providing grant funding streams. SR2025 confirmed Departmental funding limits and possibly areas that the Government are likely to continue supporting, although the detail of specific grants tends to be released as part of the Local Government Finance Settlement.

In relation to capital funding, as ever, the Council must be in a position to develop and have available 'oven ready' bids that are of high quality, capable of being successful and ultimately can be delivered. It is probable that as the Lancashire Combined County Authority (LCCA) becomes properly established, and even evolves into a Mayoral CCA, more economic development, transport and skills related funding will come through that route.

And, as funding streams come to an end, it is important that the Council puts in place arrangements, such as clear exit strategies, so that the burden of additional cost does not simply add to the ongoing budget shortfall. In doing so, however, there needs to be a holistic approach to reviewing the contribution of funded schemes to the Council's Strategic Objectives in comparison to those services/projects/schemes funded directly by the Council's base budget.

- 3.47 Again, whether external or internal factors, these are not exhaustive lists, but it does outline some of the major issues that may impact on the Council's financial position and will need to be considered in the context of both the Council's priorities and its ability to deliver a balanced and sustainable budget.

Balances and Reserves

- 3.48 Any consideration of the Council's Medium Term Financial Position needs also to consider what reserves and balances are available
- 3.49 Details of the Council's Reserves and Balances are provided regularly in reports to the Council's Executive . An updated analysis of Reserves and Balances is now provided at **Appendix C** and this reflects the changes in reserves following the setting of the Budget for 2025/26 (this is subject to change following the audit of the Council's Accounts for 2024/25). The strategy for the use of Reserves and Balances is as follows:-
- the **Minimum Working Balance** will be maintained at £1m. As the Executivewill know, the Minimum Working Balance is held as a contingent sum to provide for unexpected and unforeseen circumstances and is part of the Council's various measures to maintain financial resilience;

- a **Budget Support Reserve** which, at the end of the last financial year, totalling £4.9m. This Reserve will be used strategically to 'smooth' the impact of budget reduction measures over the life of the Medium Term Financial Plan. In 2025/26, the forecast net change in this reserve will be a reduction of £1.239m (based on Quarter 2 Budget Monitoring) giving a forecast balance at 31st March 2026 of £3.7m.

At this stage, the MTFP assumes that £1.5m will be used from the Budget Strategy Reserve to support the Council's budget. Consideration will be given to 'topping-up' this reserve should there be the capacity to do so as part of the closure of the Council's Accounts for 2025/26.

- Remaining **Earmarked Reserves (for discretionary use)** will only be used for the purposes for which they have been set aside and will be subject to annual review. In 2025/26, it is estimated that £2.219m will be used to fund specific expenditure in the year. Of the balance of Reserves, in the main they are committed to specific issues.

- 3.50 A summary of the Council's Reserves and Balances is provided at **Appendix C**. It is worthwhile reiterating that the reserves are a finite source of funding and should not be relied upon to support the Council's budget other than as part of the clear strategy to achieve a sustainable budget in the medium term.

Scenario Planning (Sensitivity Analysis)

- 3.51 As mentioned above, the MTFP is based on a range of assumptions which impact on both income and expenditure. Changes in these assumptions can have a fundamental effect on the Council's funding gap and the level of savings the Council will be required to make over the next 3 years.
- 3.52 The Executive will appreciate that it is good practice to model scenarios based on changes to some of the key assumptions in the MTFP. The purpose of this sensitivity analysis is not to predict or forecast the future but rather test and understand the Council's sustainability into an uncertain future given alternative plausible scenario for the key drivers of costs, service demands, funding and key risks to which the Council is exposed. Such 'stress testing' is good practice and acts as an indicator of the Council's financial sustainability.
- 3.53 The sensitivity analysis gives some indication of the likely range of the Council's deficit position bounded by realistic worse- and better-case scenarios. Although it is always possible there might be scenarios outside of these boundaries (as well as numerous ones within them), this is considered unlikely as the worse case assumes strongly negative estimates for most of the main aspects of the MTFP. Likewise, the better-case contains only positive changes. Some of the key variables that have been modelled are as set out at **Appendix D** with the results of this analysis at Appendix E and summarised in Table 3 below:-

Table 3: Scenario Analysis

	2026/27 £000	2027/28 £000	2028/29 £000
Better Case	289	1,431	1,881
Base Position (Table 1 above)	1,491	2,721	3,043
Worse Case	5,045	6,780	7,722

Appendix D and E

- 3.54 As the table indicates, the range of potential positions is a deficit of c£1.881m to a deficit of £7.722m. These scenarios are provided to reflect the level of potential volatility in the assumptions and reinforces the uncertainty with future budget estimates.

Developing the Financial Strategy 2026/29

- 3.55 As indicated above, it is proposed to review and update the Council's Financial Strategy in 2026/27 when there is greater clarity on the structure of local government, the amount of funding available to it over the medium term and how that funding will be distributed to individual Councils. In the meantime, the Financial Strategy remains based around the following strands:-
- **Growing** the Council's income using the funding mechanisms now in place for local government, particularly the Business Rate Retention Scheme and Council Tax. This means that the Council must actively consider ways in which it can increase income from business and housing growth to ensure that funding for services can be maintained;
 - **Charging** for services, raising income which will mean that it is possible to continue providing services that resident's value. This will mean reviewing the level of fees and charges, reducing the subsidy on some services and considering the introduction of new fees and charges. It will also include reviewing the amount of Council Tax Support given;
 - **Saving** costs by, for example, reviewing how the Council delivers services, doing things differently and more efficiently, scaling services to appropriate levels within the resources available to the Council and working with local town and parish councils and other partners to sustain local facilities;
 - **Stop** spending on lower or non-priority areas. This could also mean, for example, that the Council works with other partners (Voluntary, Faith, Community Sector, Town/Parish Councils etc.) and residents to deliver services.

‘Growing’

- 3.56 The ‘Growing’ strand is dependent on ability to generate economic growth with a focus on increasing housebuilding rates and economic/industrial development. The Local Plan provides the spatial strategy for the sustainable development of the Borough, providing the foundation for the Council’s continuing growth aspirations.
- 3.57 The trajectory of housing growth is reasonable, with a moderate increase in the Council’s taxbase for 2025/26 reflecting success in this area. Likewise, the implementation of the Town Deal for Nelson, the LUF bid for the Colne, the development of key employment sites like Lomeshaye Industrial Estate and West Craven Business Park all provide a catalyst for increasing business rates income to the Council.
- 3.58 Likewise, the Business Rates Taxbase continues to grow (although the business rates payable continues to be affected by the myriad of reliefs and exemptions available to businesses) and should, therefore, overtime lead to a more sustained income for the Council. This is, though, subject to the Business Rates Reforms referred to earlier in this report.

‘Charging’

- 3.59 ‘Charging’ for services and maximising the income to the Council alleviates the pressure to find savings from budget reductions.
- 3.60 To that end, a new Fees and Charges Framework will be developed to provide the basis on which the Council will set its fees and charges. This will be brought forward as part of the Council’s budget papers.
- 3.61 In the meantime, the Budget Working Group has considered changes to existing fees and charges and these will be brought forward for consideration by Council in due course.

‘Savings’ and ‘Stopping’

- 3.62 To the extent that the Growth Strategy will take time to deliver and Charging alone is unlikely generate sufficient income to bridge the funding ‘gap’, the Council will need to reduce its cost of operations. Both the ‘Savings’ and ‘Stop’ strands require services to do things differently. The proposed Strategy to do this is set out below:-
- undertaking an organisational review to ensure the Council’s staffing structure remains lean but sufficiently resilient to cope with the changes in the delivery of services as the resource base reduces;
 - reviewing leisure and cultural services to ensure they continue to offer value for money;

- reviewing and reducing funding for discretionary services to ensure that sufficient resources are available to fund the Council's statutory obligations;
- changing the way residents access Council Services, recognising the way services operate should reflect how people live their daily lives;
- exploiting new technology such as cloud-based services and AI to streamline services, making them more effective and efficient;
- continuing to work with Town and Parish Councils to retain the delivery of services and facilities locally through the transfer of assets (particularly with the prospect of Local Government Reorganisation);
- reviewing the efficiency of key frontline services such as Refuse Collection, Street Cleansing and Grounds Maintenance.
- using better procurement policy and practice both to ensure that the Council is getting value for money for what it buys and drives better social value from its purchasing arrangements;
- maximising income from external funding, ensuring that any costs incurred in delivering schemes are funding from such funding;
- exploring the scope for driving out further efficiencies from the Council's partnership arrangement with Liberata. Given the amount of Unitary Charge payable to Liberata, the Council will want to consider what scope there is to reduce this cost whilst maintaining service delivery;
- undertaking a review of service standards to ensure that the Council continues deliver good services but at the least cost;
- undertaking technical reviews (in areas such as provisions, Minimum Revenue Provision, Housing Benefit Subsidy, the use of Flexible Capital Receipts) to determine what scope there is to reduce costs to the Council;
- reviewing Council Tax collection rates, discounts and exemptions to determine what scope there is to increase the Council Tax yield. This could also include a review of the Council Tax Support Scheme;

3.63 In addition to this approach, there will be a renewed focus on the collection of debt, whether from Council Tax, Business Rates or Sundry Debtors. This will include reviewing debt collection processes, increasing the amount of income paid at the 'point of sale' to avoid the need to raise debts and taking a 'cross-Council' approach to debt recovery thereby reducing the time between raising a debt and it being paid.

- 3.64 Further work will need to be undertaken to develop out the areas above into firm budget proposals that will support the delivery of a balanced budget. This work will take place in the coming weeks. Equally, as outlined earlier in this report, as more details of the Council's funding settlement become available, it is inevitable that any emerging Strategy to balance the budget will need to be adjusted accordingly.

Outline Draft Budget Strategy 2026/29

- 3.65 Looking specifically at the Budget Strategy for 2026/27 to 2028/29, it is proposed that the key elements are as follows:-

- pursue, the Growing, Charging, Saving and Stop strategy as set out above (with a specific focus on the development of savings options as set out above);
- no budget growth without equivalent savings being proposed;
- use of £1.5m from the Budget Support Reserve in support of the budget (plus the use of specific reserves where these are required);
- undertake a review of remaining Reserves and Balances to determine the scope and implications of 'freeing up' committed reserves in support of the Budget Strategy Reserve;
- no increase in prudential borrowing other than that already assumed in the Medium Term Capital Programme unless such borrowing results in ongoing revenue savings (the affordability of the capital programme will be reviewed in parallel with the Revenue Budget).
- an increase in Council Tax by the maximum permissible amount;

- 3.66 Applying this Strategy requires estimated budget savings of c£3.043m (as per Table 1 above) to be identified over the next three years, all of which should be ongoing reductions in the Council's budget. The extent to which budget savings are delayed will increase the use of reserves.

Consultation on Budget Proposals

- 3.67 It is good practice for Councils to consult on proposals that may affect the delivery of services including those related to budget savings and/or income generation. Indeed, the Value for Money Assessment undertaken by the External Auditors specifically questions whether the Council has asks 'Are stakeholders consulted during the development of savings plans? Depending on the nature of the savings plans, stakeholders could include staff, local residents, service users, the voluntary sector and local businesses'.

- 3.68 In compliance with this requirement, and subject to budget proposals coming forward, it is proposed that some form of public consultation on the budget should take place with a view to informing decisions on the Council's budget for 2026/27. The form and content of such a consultation will be determined in due course.
- 3.69 And, in compliance with s65 of the Local Government Finance Act 1992, the Council will undertake consultation with the business community once details of the budget are developed.

Next Steps

- 3.70 Table 5 below provides an outline timetable for the development of the budget for 2026/27.

Table 5: Indicative Timetable for Development of Budget 2026/27

Date	Action	Status
20 th Nov 2025	Update MTFP to Executive	This Report
26 th Nov 2025	Budget Announcement from Government	
Dec/Jan 2026	Consultation on Budget	
Dec 2025	Provisional Local Government Finance Settlement (LGFS) 2026/27	
Dec 2025	Update on Budget/LGFS to Corporate Leadership Team	
Dec 2025	Update on Budget/LGFS to Leadership Group	
Jan/Feb 2026	Final Local Government Finance Settlement 2026/27	
Jan 2026	Update on Budget to Corporate Leadership Team	
19 th Feb 2026	Budget Report to Executive Board	
26 th Feb 2026	Finance Council sets Budget and Council Tax 2026/27	

4. **Link to Council Plan Priorities: (Providing High Quality Services and Facilities, Proud and Connected Communities and Places, Good Growth and Housing and Healthy Communities)**
- 4.1 The development of the Council's budget is undertaken within the framework of the Council Plan and the various priorities set out within it.

5. Implications

Financial Implications

- 5.1 The financial implications are as given the report.

Legal and Governance Implications

- 5.2 The Council has a statutory obligation of setting a balance budget annually. This report provides information to support the Council to achieve its statutory obligation in this respect.

Climate and Biodiversity Implications

- 5.3 There are no climate and biodiversity implications arising directly from the contents of this report.

Human Resources Implications

- 5.4 There are no Human Resources implications arising directly from the contents of this report.

Equality and Diversity Implications

- 5.5 There are no Equality and Diversity implications arising directly from the contents of this report.

6. Consultation

- 6.1 As outlined in the report, it is proposed to undertake consultation on budget matters to inform the development of the Budget for 2026/27.

7. Alternative Options Considered

- 7.1 The development of the budget may involve considering budget options.

8. Statutory Officer Sign off (please put an x in the relevant box below)

Section 151 Officer	✓
Monitoring Officer	✓

9. Background Documents

Contact Officers

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