

Report Title	Update to Medium Term Financial Plan 2026/27 – 2028/29
Meeting	Executive
Meeting Date	22 nd January 2026
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 – Response to consultation provisional Local Government Finance Settlement 2026/27

1. Executive Summary

- 1.1 The purpose of this report is to provide an update on the development of the Council's budget for 2026/27. An update is also provided on the outcome of the provisional Local Government Finance Settlement and what this means for the Council's Medium Term Financial Plan.

2. Recommendations

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

- 2.1 note the outcome of the provisional Local Government Finance Settlement for 2026/27 – 2028/29 as set out in the report;
- 2.2
- 2.3 note the response to the provisional 2026/27 Local Government Finance Settlement Consultation as set out at **Appendix A**;
- 2.4 note that further work is required to determine the estimate of Business Rates Retained for 2026/27 which will reflect the Council's local knowledge/circumstances and that this work has begun following the release of guidance from Government on this matter;
- 2.5 acknowledge that the estimates of Council Tax income presented in the report are subject to decision by Budget Council on 26th February 2026 and are, therefore, indicative at this stage;

- 2.6 note the updated Medium Term Financial Plan 2026/27 – 2026/29 and this will be further updated once decisions on the Council’s budget are taken at Budget Council on 26th February 2026.

3. Information: the Rationale & Evidence for the Recommendations

Background

- 3.1 Annually, the Government provides local authorities with an indication of how much funding it will provide towards the cost of delivering services. Combined with the notional assessment of business rates amounts and Council Tax referendum limits, this is referred to as the provisional Local Government Finance Settlement.

- This report sets out details of the provisional Local Government Finance Settlement for 2026/27 - 2028/29 which was released on 17th December. The report also describes what it may mean for the Council’s medium term financial position, reflecting both the details of the provisional Settlement for 2026/27 – 2028/29 and Local Government Finance Policy Statement 2026/27 – 2028/29 which the Government released in late November 2025.
- The final Local Government Finance Settlement is not expected until early February 2026. In the meantime, work on the development of the Council’s budget will continue and ultimately it is a matter for Council on 26th February 2026 to determine both the budget (revenue and capital) and Council Tax for the next financial year.
- The development of the budget is a key element of the Council’s financial governance processes. Now that the Government has provided provisional details of the Council’s funding for 2026/27 – 2028/29, it is possible for the Council to consider this in the context of its developing budget for 2026/27.
- As the Executive may be aware, as part of the assessment of the Council’s Value for Money arrangements, the Council’s External Auditors continue to assess what arrangements the Council has in place to deliver a balanced budget, including the adequacy of savings schemes. In recent years, this has been identified as a significant weakness in the Council’s arrangements leading to a Key Recommendation to develop such savings schemes. It is important, therefore, that the Council has developed a robust and deliverable set of options for achieving a balanced and sustainable budget. This should address the adverse commentary in the Auditor’s report on Value for Money.

Autumn Budget 2025

- The last update on the development of the Council’s Budget for 2026/27 (and the Medium Term Financial Plan) was provided to the Executive in November

2025. This provided details of the Government's 2025 Spending Review, announced in June 2025.

- On 26th November 2025, the Chancellor of the Exchequer delivered the Autumn Budget 2025. For Local Government specifically, the Government announced a range of measures including its commitment to Local Government Reorganisation, as part of a wider efficiency programme across the public sector to achieve savings of £2.8 billion in 2028/29, £4.0 billion in 2029/30 and £4.9 billion in 2030/31, representing 0.5% reduction in department budgets set at the Spending Review 2025.
- The Local Government Finance Policy Statement was unusually released prior to the Autumn Budget and included many announcements in respect of future Local Government funding.

Local Government Finance Policy Statement 2026/27 – 2028/29

- The Local Government Finance Policy Statement was released on 20th November, alongside the outcome of the Fair Funding Review and details of the Business Rates Retention System Reset and provided headline details of funding for Local Government for 2026/27 – 2028/29. Some of these headlines included the following:-
 - As previously stated, the Finance Settlement would be a multi-year settlement, setting out provisional Local Government funding for the next 3 years.
 - Changes to the funding formulae, consulted on over Summer 2025, would in the main be reflected in the Finance Settlement. There are some slight changes following the consultation outcome and updates to some of the data sets used in the calculations to reflect new data published since the consultation launch.
- A number of existing grants would be 'rolled in' to the Revenue Support Grant, with a number of other grant streams being consolidated into 4 new grants, in a simplification of funding streams.
- The £600 million Recovery Grant first introduced in 2025/26 would not be rolled into the Fair Funding Allocation. The allocations will be cash flat at their 2025/26 levels at a minimum. A Recovery Grant Guarantee will be introduced for upper tier authorities in receipt of the Recovery Grant in 2025/26 ensuring these authorities see increase in of at least 5% in 2026/27, 6% in 2027/28 and 7% in 2028/29, compared to the 2025/26 baseline, subject to a cap of £35 million per authority across the settlement period.
 - Additional funding of £3.4 billion would be provided to Local Government over the Spending Review period. This includes £2.4 billion for Children's Social Care reforms.

- Council Tax referendum principles will continue at their 2025/26 levels over the settlement period, being 3% general and 2% for Adults Social Care.
- The previously announced reset of the Business Rates Retention System was confirmed, with details of the future system set out. As part of this reset, it was also announced that for 2026/27 the Government would increase the Safety Net threshold to 100% of the new Baseline Funding Levels, in doing so protecting Local Authorities income for that year and providing a level of certainty.
- Transitional funding will be provided, including a minimum funding floor, to protect Councils facing reductions in funding from facing the full impact immediately.

3.2 All the information included in the Policy Statement has subsequently been confirmed in the provisional Settlement, more details of which are provided below.

Provisional Local Government Finance Settlement 2026/27

3.3 Details of the provisional Local Government Finance Settlement for 2026/27 – 2028/29 were announced on 17th December 2025. Releasing the provisional Settlement signals the opening of a period of consultation by the Government on the details of the Settlement for which the deadline for responses was 14th January 2026. Thereafter, the Government normally publishes the final Settlement towards the end of January/early February.

3.4 As the first multi-year Settlement in a decade, the provisional Settlement represents the Government's view of the Council's funding position for 2026/27 – 2028/29, however, allocations for 2027/28 and 2028/29 will be subject to change at Settlements in future years. In particular, the Settlement provides the Government's assessment of the Council's Core Spending Power comprising funding such as Business Rates retained, Revenue Support Grant, Council Tax and other grants payable to the Council (examples include the Recovery Grant, Homelessness and the Rough Sleeping and Domestic Abuse Grant).

3.5 For both the Revenue Support Grant and other grants payable to the Council, the amounts given in the provisional Settlement reflect the actual grants that will be paid to the Council. The amount of Business Rates Retained and Council Tax reflect the Government's assessment of what the Council might raise; in both cases, the actual amounts will be subject to determination by the Council according to local assessment and/or decision making (both of which will be influenced by local factors).

- A response to the consultation on the Provisional Settlement was agreed with the Leader of the Council and submitted to the Government by the deadline. A copy of the submission is provided at Appendix A to this report.

Fair Funding Allocation (Updated Needs Assessment and Resource Allocation)

- A key component influencing the provisional Settlement is the outcome of the Fair Funding Review 2.0. In essence, this review has involved updating both the Relative Needs and Resources Allocations for each Council, something that has not happened since 2013/14, resulting in a Fair Funding Allocation that is intended to reflect the funding needs of each Council, relative to each other.
- The Relative Needs Allocation assesses the relative funding needs of each Council according to a range of factors (population size, the services they provide, extent of sparsity, rurality, deprivation, demography, geography etc). Despite being one of the most deprived Borough's in England, according to the most recent Indices of Multiple Deprivation, Pendle's assessed needs places it 109th out of 164 District Councils (and 292nd out of 347 Councils in England). This relatively low ranking can be attributed to both a relatively low population (which is the single biggest driver of funding allocations) and that the Borough comprises some deep pockets of deprivation in largely urban areas abutting both rural and sparsely populated areas, in essence 'averaging out' the Borough's needs.
- The Resource Allocation has taken on a new emphasis under the current Government; it is a notional assessment of each Councils ability to raise Council Tax (its taxable capacity) as a contribution to meeting the cost of delivering services. Its intention is to reflect in relative terms, the amount of income a Council can generate from Council Tax; the more Council Tax a Council can raise, the less grant funding it will receive. In essence, it is intended to reflect that Councils with a low Council Taxbase have less taxable capacity to raise income. As the Council has a relatively low taxbase given the predominance of Band A properties in the Borough, this change is beneficial to the Council.
- As indicated above, Fair Funding Allocations reflect the assessment of funding required by each Council to deliver services, relative to each other. However, acknowledging that under any system of redistribution that has not been subject to review for several years, there are likely to significant gainers and losers, the Government is proposing to 'phase' in the impact of Fair Funding Review over 3-year period to 2028/29.
- The impact of these changes is shown in Table 1 below:

Table 1: Fair Funding Review 2.0 – Impact for Pendle Council

	2026/27 £m	2027/28 £m	2028/29 £m
Needs Allocation	14.721	15.267	15.569
Resource Allocation	(5.850)	(6.136)	(6.434)
Fair Funding Allocation	8.871	9.131	9.135

Fair Funding after Phasing	9.147	9.160	9.135
Gain/(-)Loss through Phasing	0.276	0.029	(0.000)

- As the table indicates, the Council's Fair Funding Allocation in 2026/27 and 2027/28 is lower than the provisional funding allocation indicating that the Council's funding level is being protected; only in 2028/29 is funding expected to be in line with the Needs/Resources based allocations. *Change in Core Spending Power*

3.6 Core Spending Power (CSP) is a measure used by the Government to set out the resources available to a Council to fund service delivery. It combines actual cash grants payable to Councils with estimates of Business Rates and Council Tax receipts that a local authority might receive based on Government assumptions. CSP is used by the Government to make comparisons of the resources available to different Councils. For the reasons set out below, it is not necessarily the actual funding a Council will receive to fund service delivery.

3.7 Based on the provisional Settlement, the Council's CSP for 2026/27 will increase by 3.75% when compared to CSP in 2025/26 and includes an assumption by Government that Councils will increase their Council Tax by the maximum allowable under the Council Tax Referendum Principles. This is in comparison to the average CSP for all Councils in England of 5.7%.

Provisional Settlement compared to Medium Term Financial Plan

3.8 The year-on-year change in the CSP provides one measure of the change in the Council's funding position. Of more importance is how the provisional Settlement compares to what the Council has been assuming in its Medium Term Financial Plan.

- Table 2 below provides a summary of the Council's funding position as set in the provisional Settlement compared to the position included in the Council's developing Medium Term Financial Plan for 2025/28. The table shows the calculation of the Baseline Funding Assessment, the Settlement Funding Assessment and the Core Spending Power for the Council:

Table 2: Provisional Settlement 2026/27 (compared to MTFP assumptions as at November 2025)

	MTFP 2026/27 - as reported Nov 2025	Provisional Settlement 2026/27	Variance	Variance
	£000	£000	£000	%
Business Rates Baseline Funding Level *	7,063	4,175	(2,888)	-41%
Revenue Support Grant	1,601	4,972	3,371	211%
Fair Funding Allocation	8,664	9,147	483	6%
Recovery Grant	-	453	453	100%
Homelessness, Rough Sleeping and Domestic Abuse Grant	-	429	429	100%
Other Grants Rolled into CSP	230	-	(230)	-100%
Total Government Funding	8,894	10,029	1,135	13%
Council Tax (excl Parish Precepts)	8,015	8,056	41	1%
Core Spending Power	16,909	18,085	1,176	7%

* This is a notional amount and subject to revision as part of the Council's own assessment of Business rates

- For the purposes of assessing net betterment in grant in the Provisional Settlement compared to the Council's Medium Term Financial Plan, the Business Rates Baseline Funding level can be ignored at this stage. As indicated below, the amounts provided in the Provisional Settlement are the Government's notional estimates of these amounts and the Council will undertake work in the next few weeks to determine its own estimates based on local circumstances. However, due to the 100% Safety Net announced by the Government, the amounts included in the table above should be the minimum Business Rates income the Council can expect to achieve in 2026/27.
- Accepting for now the baseline funding level shown above, the net change in Government Funding to the Council is £1.135m. More details of the provisional Settlement are provided below. This is largely because of the reinstatement of Recovery Grant and the net additional funding for Homelessness, Rough Sleeping and Domestic Abuse

Business Rates Retained

- 3.9 At this stage, the estimate of Business Rates Retained is the Government's assessment of the amount of business rates the Council will retain from the net collectable Business Rates generated in the Borough (based on a 40% share, with the balance shared between Lancashire County Council (9%), the Lancashire Fire Authority (1%) and the Government (50%)). This is based on their knowledge of the Business Rates taxbase, exemptions and reliefs.
- 3.10 For 2026/27 the Business Rates system has seen a revaluation of the rateable values for all properties, changes to the multipliers used in calculating the Business Rates charges (including the introduction of new multipliers for Retail, Hospitality and Leisure businesses and those properties with a rateable value over £500,000), as well as a number of changes through the Business Rates system reset, some of which include:
- Recalculation of the Baseline Funding Level for each authority to reflect the amount of Business Rates income the Government believes each Local Authority needs to deliver local services. This is the first time the Baseline Funding Level has been updated since 2013/14.

- Changes to how Council's will be compensated for mandatory reliefs implemented by Central Government.
 - Temporary changes to the Safety Net level for 2026/27 to 100% of the Baseline Funding Level, returning to its usual level of 92.5% over the remainder of the settlement period (97% in 2027/28 and 92.5% in 2028/29).
- 3.11 The changes detailed above to the Safety Net level for 2026/27 mean that the amount included in table 1 should be the minimum Business Rates income we can expect to achieve in 2026/27.
- 3.12 Work on the Council's own assessment of the estimate of Business Rates Retained is underway. This will be based on the Council's knowledge of the expected growth/decline in the taxbase, exemptions, reliefs and provision for bad debts and appeals. Ordinarily, this work will conclude during late January 2026. ***The Business Rates Retained estimate for 2026/27 may therefore change.***

Revenue Support Grant

- 3.13 Revenue Support Grant is a general cash grant payable to the Council. ***This is unlikely to change between provisional and final settlement.*** Revenue Support Grant for 2026/27 has increased significantly (by £3.371 to £4.972) when compared to 2025/26. This reflects additional funding in 2026/27 of £0.025m, the changes to the funding formulae, as part of the Fair Funding Review, as well as the rolling in of a number of other grants as part of the funding simplification. The grants rolled into Revenue Support Grant include:
- New Homes Bonus (£0.135m. in 2025/26)
 - Employer NI Contributions (£0.112m. in 2025/26)
 - Temporary Accommodation element of the Homelessness Prevention Grant (£0.190m in 2025/26)
 - A number of other grants previously provided as service specific grants.
- 3.14 The additional funding of £0.025m received through the Revenue Support Grant has been provided as funding for local services. It appears that this additional funding for local services includes the 'new burdens' funding for the introduction of the new Food Waste collection service, the cost of which is expected to be c£1.2m.

Other Grants – within Core Spending Power

- As indicated in table 2, the Government has made significant changes to the grants included in the calculation of Core Spending Power, as mentioned above rolling a number of existing grants into the Revenue Support Grant, and a number of others being consolidated into new grants, including:
 - ***Homelessness, Rough Sleeping and Domestic Abuse Grant*** – this is a cash grant payable to the Council totalling £0.429m. It is a consolidation of a range of existing grants including the Domestic Abuse

Safe Accommodation Grant, Rough Sleeping Prevention & Recovery Grant, Rough Sleeping Accommodation Programme and part of the Homelessness Prevention Grant. This is a ringfenced grant to support Local Authorities to deliver homelessness and rough sleeping services, as well as meeting their domestic abuse duties. ***This grant may be subject to change as the provisional allocations do not reflect a £19m uplift announced by the Government on 15th December 2025.***

Recovery Grant

- 3.15 The Government has retained the Recovery Grant introduced in 2025/26 at cash flat levels. This funding was initially introduced to target funding to places with greater need and demand for services (with the level of deprivation used as a proxy for this) and less ability to raise income locally. **For 2026/27, the Council will again receive £0.453m.** The grant is not ringfenced and there are no conditions on its use.

Other Grants – Not within Core Spending Power

- 3.16 The allocations of various other grants were announced alongside the provisional Settlement, continuing the funding simplification by consolidating multiple existing grants into fewer new grants, including:

- ***Children Families and Youth Grant (Holiday Activities and Food)*** – part of this consolidated grant is included within Core Spending Power (Families First Partnership as detailed above). This element of the grant replaces the existing Holiday, Activities and Food Grant, with ringfencing continuing to require Local Authorities to deliver a Holidays, Activities and Food programme. In Lancashire this funding is allocated to LCC, it is anticipated that they will continue to partner with the district councils to deliver the Holiday Activities schemes.
- ***Crisis and Resilience Fund*** – this grant will bring together the Household Support Fund (HSF) and Discretionary Housing Payments (DHP) funding streams into one consolidated grant. The new grant will be ringfenced for Local Authorities to provide preventative support to communities and assist people when faced with financial crisis. The Council's allocation for 2026/27 is £0.132m, which relates to the DHP element of the grant and is the same amount as was received in 2025/26. As previously the HSF element will be issued to LCC, who is expected to partner with district councils to deliver the non DHP elements of the scheme. The Council received HSF of £0.569m in 2025/26.

Council Tax

- 3.17 The Government has assumed that the Council will raise £8.056m in Council Tax in 2026/27 as part of their assessment of the Core Spending Power. This is based on the following assumptions:

- applying the average annual growth in the Council Tax Base between 2021/22 and 2025/26 to project growth in the tax base for 2026/27; and

- that the Council will increase its Council Tax in line with the maximum allowable level set out by the Council Tax Referendum Principles for 2026/27 of 2.99%.
- 3.18 The estimate of Council Tax receipts assumed in this version of the Medium Term Financial Plan is based on the following assumptions:-
- a Council Taxbase for 2025/26 of 25,163.44;
 - an increase in the general Council Tax of 2.99%. This reflects the maximum allowable levels set out by the Council Tax Referendum Principles for 2026/27.

Other Matters

- 3.19 **Extended Producer Packing Scheme** – The current financial year saw the launch of the Extended Producer Responsibility for Packaging (pEPR) scheme. The pEPR is the Government’s scheme to hold producers (of packaging) to account for the lifecycle of their products and packaging with the goal of reducing the environmental impact of packaging waste by ensuring that producers take responsibility for its collections, recycling and safe disposals. In essence, producers pay Government fees based on the volume/type of packaging and this income is paid to Local Councils. For 2026/27, the Government has informed the Council that our anticipated total EPR payment will be c£0.889m which is to be used to continue to support the Scheme.
- **Employer Pension Contributions** – Every 3 years, the Lancashire Government Pension Fund undergoes a Triennial Valuation, and in doing so sets the level of employer pension contributions for the upcoming 3 years. This considers the funding level of the pension fund (whether it is in surplus or deficit) as well as a number of other factors. On completion of the valuation earlier this year, it was identified that the pension fund surplus position has increased compared to the last valuation undertaken in 2022. The Pension Fund Actuary has advised that the fund retain a higher percentage of the surplus (20% compared to 10% at the previous valuation), plus that the surplus repayment period be extended (20 years compared to the current 16 years). This is in order to protect members against future economic conditions having significant impacts on the employer’s contribution levels. We have been informed of the proposed change to our contribution rates (using this higher ‘funding buffer’), falling from the current rate of 20% to 15.4%. This represents a saving of c£0.359m for the Council. This reduced rate is guaranteed, however the principles on which it has been calculated (including the increased funding buffer) are subject to confirmation by the Pension Fund Committee at a meeting on 23rd January 2026. Should the committee vote to reduce the funding buffer from the 20% being proposed, this will have an impact on the cost of pension contributions for the Council.

Update to Medium Financial Plan 2026/27 – 2028/29

- The Provisional Settlement is one of the key building blocks of the Council's Medium Term Financial Plan (MTFP) 2026/27. Given the release of the Settlement, an opportunity has been taken to update the MTFP. The MTFP has been developed using a range of assumptions, not least those necessary to estimate the amount of funding available to the Council. In the light of the provisional Settlement, it is now possible to update the MTFP with the Council's funding allocations (accepting that both Business Rates Retained and Council Tax amounts are subject to change for the reasons set out above). A summary of the updated MTFP is provided in Table 3 below:

Table 3: Medium Term Financial Plan 2026/27 – 2028/29 (as at January 2026)

	2026/27 £000	2027/28 £000	2028/29 £000
Net Cost of Services	21,313	21,749	22,187
Corporate Income and Expenditure	(1,351)	(980)	(875)
Net Revenue Expenditure	19,962	20,769	21,312
Funded by:			
Business Rates Baseline Funding Level	(4,175)	(4,271)	(4,357)
Revenue Support Grant	(4,972)	(4,888)	(4,778)
Recovery Grant	(453)	(453)	(453)
Council Tax	(7,970)	(8,270)	(8,581)
Collection Fund	(1,000)	(400)	(400)
Shortfall before Reserves	1,392	2,487	2,743
Change in Specific Reserves	(500)	(500)	(500)
Funding Gap	892	1,987	2,243
In Year Funding Gap	892	1,095	256

- As the table indicates, the forecast funding gap by 2028/29 is now estimated to be £2.243m, with the most immediate issue being a gap of £0.892m in 2026/27. Further work is underway to firm up the Council's budget estimates and to develop options to bridge the medium term gap and this will form part of subsequent reports on the development of the Council's budget for 2026/27.
- 3.20 A review of the robustness of the Council's Base Budget continue. This is with a view to ensuring that any underlying and, arguably, unavoidable budget pressures are reflected properly in the budget and relate more accurately to activity currently being undertaken. Likewise, it is being used to identify any compensating areas of budget surplus. At the same time, a range of policy matters are arising which equally may need consideration as do those issues that are contributing to the Council's forecast overspend in the current financial year. At this stage, further work is required to determine whether any of these matters should feature in the Council's budget.

Next Steps

- As indicated above, this report provides an update on the Provisional Local Government Finance Settlement and the Council's Medium Term Financial Plan. Now that the details of the Settlement are known, further work will be undertaken on the development of the budget. Subject to confirmation of the final Local Government Finance Settlement, ultimately, the Council will agree the Council's budget for the next financial year on 26th February 2026.

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 There are no legal implications arising directly from the contents of this report.

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 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

[Provisional Local Government Finance Settlement 2026-2027 to 2028-2029 - GOV.UK](#)

Appendix A – Proposed Response to Provisional Local Government Finance Settlement Consultation

Contact Officers

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