

Report Title	General Fund Revenue Budget 2026/27
Meeting	Executive
Meeting Date	19 th February 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)	<p>App A – Draft Statement on the Robustness of Estimates and Adequacy of Reserves 2026/27</p> <p>App B – Review of the Minimum Working Balance</p> <p>App C – ‘Firming Up’ Adjustments for Base Budget 2026/27</p> <p>App D – Proposed savings from the Leisure Trust</p> <p>App E – Estimate of Reserves and Balances 2026/29</p> <p>App F – Council Tax Exemptions</p> <p>App G – Corporate Leadership Team’s proposed budget for 2026/27</p> <p>App H – Budget Consultation Outcome</p> <p>App I – Town and Parish Council Precepts 2026/27</p>

1. Executive Summary

- 1.1 This report recommends to the Executive the Corporate Leadership Team’s proposed General Fund Revenue Budget for 2026/27. It also recommends the level of Council Tax for 2026/27 and acknowledges in both cases, that these are matters that Full Council on 26th February 2027 will consider.
- 1.2 Details of the Council’s final funding settlement from Government for 2026/27 are provided along with indicative allocations for 2027/28 and 2028/29.

- 1.3 Information is also provided on the Council's forecast outturn for 2025/26 and how the detailed General Fund Revenue Budget for 2026/27 has been developed (accepting that some of these details have been provided in various reports to the Executive throughout the last municipal year as the budget has developed).
- 1.4 An update to the Medium Term Financial Plan, reflecting the proposed General Fund Budget for 2026/27, is also given so that the Executive can consider what the proposals mean for the Council over the medium term. Details of the Council's reserves and how they are being used in support of the budget are also shown.
- 1.5 This is supported by a Financial Strategy which is built around the principles of 'Grow, Charge, Save and Stop' and sits alongside the strategy for using reserves.

2. Recommendations

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

- 2.1 have regard to the draft Statement of Robustness of Estimates and Adequacy of Reserves as set out in the **Appendix A** to this report, when considering recommendation 2.2 to 2.9 below;
- 2.2 note the proposal to maintain the General Fund Minimum Working Balance at £1.0m;
- 2.3 note the projected outturn position in the current financial year, details of which are set out in separate report on the Agenda;
- 2.4 in relation to the Pendle Leisure Trust, subject to consideration of the savings proposals for 2026/27, agree to provide a grant of £1,507,410 in 2026/27;
- 2.5 note and agree the allocation of funding from the Budget Strategy Reserves towards the Transition Fund for Local Government Reorganisation as set out in the report;
- 2.6 make recommendations to the Full Council on 26th February 2026 on the General Fund Budget Requirement for 2026/27 having regard to the recommended budget as set out in this report (and detailed at **Appendix G**);
- 2.7 subject to the Executive's consideration of the budget proposals in this report, to recommend to Council on 26th February, a Band D Council Tax for 2026/27 of £316.71, being an increase of £9.19 (2.99%) on the current level of Council Tax;
- 2.8 require each Service to operate within its budget for 2026/27 once approved, and that these budgets be cash limited and subject to regular monitoring and control;

2.9 request that a further report be brought back to a future meeting of the Executive updating the Financial Strategy and Medium Term Financial Plan for 2026/27 to 2028/29.

3. Information: the Rationale & Evidence for the Recommendations

Background

3.1 The budget process is a key element of the Council's strategic planning process and, as part of the service and financial planning approach adopted by the Council, is a means of ensuring that resources are best placed to enable the Council to meet its objectives as set out in the Council Plan.

3.2 This report follows on from the January 2026 budget report which provided details of the Provisional Local Government Finance Settlement for 2026/27 (and indeed, over the medium term) and the Council's budget position which was considered by the Executive on 22nd January 2026. The Executive has received various reports over recent months setting out details of how the budget has been developed.

3.3 This report provides details of the final Local Government Finance Settlement for 2026/27 and includes the impact of the settlement along with information on the further development of the budget to recommend a budget strategy for 2026/27. This should enable the Executive to make a recommendation to Council on both the budget and the Council Tax for the forthcoming financial year.

3.4 Previous budgets have highlighted the short term nature of the funding settlements provided by Government in previous years. However, following significant lobbying by Local Government, the settlement for 2026/27 is a multi-year settlement providing indicative funding allocations for each year to 2028/29. Combined with the completion of Fair Funding Review 2.0, which has completely refreshed the distribution of funding between Councils (based on updated formulae on a range of factors including relative needs, demography, geography etc.), and the first reset of the Business Rates Retention system since it was introduced in 2013/14, these matters represent a significant change in the funding arrangements for Local Government.

3.5 Details of the impact of these changes on the Council's financial position are set out this report (and indeed, in previous reports). Overall, the impact of these changes for the Council is broadly neutral when taken in the round, but it should be noted that this is because the impact on the Council is being dampened as the changes are being phased in over the next three years; in cash grant terms, the Council's funding is reducing (as it has done over a number of years).

3.6 Finally, the Medium Term Financial Plan set out in this report, covers the period to 2028/29. As the Executive should note, the current timetable for Local Government Reorganisation will see the Council abolished on 31st March 2028.

Statement on the robustness of the Council's budget calculations and the adequacy of financial reserves

- 3.7 As indicated in the legal implications section below, Section 25 of the Local Government Act 2003 requires the Council's Director of Resources, as the officer having responsibility for the administration of the Council's financial affairs, to report to the Council on the robustness of the budget estimates and the adequacy of proposed financial reserves when determining its budget requirement under the Local Government Finance Act 1992.
- 3.8 A draft copy of the statement that will be reported to Council on 26th February is provided at **Appendix A** and the Executive should have regard to this when making proposals in relation to the budget. The statement has been produced based on the proposals set out in this report. It should be noted that, subject to Councillors' deliberations on the budget at Council later this month, it may be necessary for the statement to be revised to take account of the decisions taken at the Council meeting.
- 3.9 Given the significant reductions in core government funding over the period of austerity and continuing use of council reserves to balance the Council's budget, Councillors are asked to consider these statements fully in the context of the proposed budget and Medium Term Financial Plan.
- 3.10 As part of the preparatory work in relation to the statement on the adequacy of the Council's financial reserves, work has been undertaken to review the level of the Council's General Fund Working Balance. This review is undertaken annually and the outcome of this work is a proposal to maintain a Minimum Working Balance of £1.0m. The rationale for this is provided at **Appendix B**.

Local Government Finance Settlement 2026/27

- 3.11 Details of the provisional Local Government Finance Settlement were provided in a report to the Executive in January 2026. As part of the report, the Executive considered the Council's response to the consultation which was submitted to Government in early January 2026. The headlines of the provisional Settlement as reported are set out below:-
- it is a multi-year settlement, which provides the Council with details of funding for 2026/27 and, indicatively, funding allocations for 2027/28 and 2028/29;
 - overall, Core Spending Power for Pendle has increased by 6.1% (compared to the average increase for Councils in England of 6.1%)
 - the Council will receive Revenue Support Grant (RSG) of £4.972m. This represented an increase in RSG of £3.371m. This increase is primarily the result of the consolidation of several grants (s31 Grants for Business Rates Reliefs, NI Increase Grant etc) that were previously paid separately to the Council. This is part of the Government's approach to simplifying the grants landscape;

- Council Tax Referendum Principles remain. For District Councils like Pendle, the core principle is that Council Tax should not increase by £5 or 2.99%, whichever is the greater;
- there will be no Lancashire Business Rates pool from 2026/27. This is largely because the Government has provided a 100% safety net in 2026/27 meaning that no Council's funding from Business Rates will fall below their Baseline Funding Level.

3.12 The final Local Government Finance Settlement was released on 9th February 2026. Unusually, the Government made several changes to the final Settlement which, whilst not impacting the overall Settlement for 2026/27, will impact the Council in 2027/28. These changes are:-

- a reduction in the Revenue Support Grant payable in 2026/27 of £227k due to a change in the distribution of Business Rates Pooling gains (which also leads to a further reduction in 2027/28 of £115k);
- additional Homelessness, Rough Sleeping and Domestic Abuse Grant of £64k; and
- to ensure that the Council's funding in 2026/27 does not fall below the level announced at the Provisional Settlement, an Adjustment Support Grant of £227k has been provided to compensate for the reduction in Revenue Support Grant referred to above.

3.13 The Council will, therefore, receive RSG of £4.745m in 2026/27. The Government has indicated that these changes are final.

Fair Funding 2.0

3.14 The impact of these matters on the Council is considered in more detail below but as the Executive is aware, and as indicated above, the Government has concluded its work on Fair Funding 2.0 as part of the Settlement.

3.15 As has been described previously, Fair Funding 2.0 is a major reform of how Government funding is distributed to English Councils. The distribution of funding between Councils has not been reviewed since 2013/14. The Government has, therefore, updated and simplified the funding formulas used for distribution of funding (The 'Needs' based allocation), re-introduced a link between how much Council Tax can be raised in each Council area (due to the differences in Council Tax base) and the needs of that area (the 'Resources' allocation) and will introduce the changes in funding over a 3-year period (the 'phasing' gain/loss).

3.16 In the case of the Council, Table 1 provides the results of the Fair Funding Review:-

Table 1: Fair Funding Allocations

	2026/27 £000	2027/28 £000	2028/29 £000
Needs Based Allocations	14,721	15,144	15,569
Resources Allocation	(5,850)	(6,136)	(6,434)
Fair Funding Allocation before phasing	8,871	9,007	9,135
Phasing +gain/(loss)	50	37	-
Fair Funding Allocation after phasing	8,921	9,045	9,135

3.17 As Table 1 shows, the Council Fair Funding Allocation according to the 'raw' calculation of the Council's relative needs and resources is £8.871m. This is less than the funding required to deliver services as determined by the Council's Baseline Funding Level (per Government) hence the phasing gains to 'top up' the Council's funding. Only by year 3 (2028/29) will the Council's Funding Allocation be in line with its assessed funding need without the need for 'top up' funding.

Funding Allocations 2026/27

3.18 Based on the final financial Settlement and the Council's own assessment of Retained Business Rates, Table 2 below summarises the funding available to Pendle in 2026/27 (and indeed, over the medium term):

Table 2: Estimate of Funding for 2026/27

	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Retained Business Rates *1	4,043	4,175	4,271	4,357
Revenue Support Grant	1,601	4,745	4,774	4,778
Fair Funding Allocation	5,644	8,921	9,045	9,135
New Homes Bonus	135	-	-	-
Recovery Grant	453	453	453	453
NI Increase Grant	112	-	-	-
s31 Business Rates Grant	3,027	-	-	-
Adjustment Support Grant	-	227	-	-
Government Core Funding	9,371	9,601	9,498	9,588

*1 – Also known as Baseline Funding Level

	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
LA Business Rates Baseline		11,899	12,150	12,393
Less: Tariff		(7,724)	(7,879)	(8,036)
Retained Business Rates *1		4,175	4,271	4,357

Retained Business Rates

- 3.19 In advance of the financial year 2026/27, the Business Rates Retention Scheme has been reset. This is the first reset since the Scheme was introduced in 2013/14. This reset of the system has coincided with both a full revaluation of business rateable values (by the District Valuation Service) and changes to the way in which Retail, Hospitality and Leisure business will receive relief from business rates.
- 3.20 The Business Rates Reset has taken all the growth in business rates since it was incepted and redistributed it amongst Councils. In essence, it is a re-balancing of the system so that the business rates retained by Councils reflects the funding they need to deliver services.
- 3.21 The full revaluation of business rateable values (which is undertaken independently by the District Valuation Office) was last done in 2023. The most recent revaluation will be implemented from April 2026. Basically, this updates the rateable value of every property in the Business Rates System using current rental estimates. Revaluations will now take place every 3 years whereas they were previously conducted on a 5 year cycle. The rateable value of each business property multiplied by multipliers set by Government determines the gross amount of business rates paid by a business (subject to any reliefs, exemptions, discounts etc).
- 3.22 As outlined in the First Budget Report, the amount of Retained Business Rates included in the Council's budget is based on the Council's own assessment of the net collectable amount of business rates for 2026/27. This assessment, which takes into consideration local knowledge of factors such as reliefs, exemptions and the adequacy of provisions for both appeals and doubtful debts, has now been completed.
- 3.23 It is estimated that the Council's share of the Business Rates will be £11.899m in 2026/27. After adjusting for the Tariff payment to Government, the amount of Retained Business Rates is estimated at £4.175m. This is broadly in line with the Government's assessment of the Council's Retained Business Rates.
- 3.24 Councillors may recall that the completion of the Council's own assessment of Retained Business Rates also includes a calculation of the amount of s31 Grant the Government will pay to the Council as a reimbursement of business rates foregone because of Government policy decisions to provide various business discounts, for example, small businesses, retail properties etc. The estimate of s31 Grant to be received in 2026/27 is £7.8m. Unlike in previous years, this reimbursement will be credited directly to the Collection Fund, having no direct impact on the Council's General Fund Revenue Budget

- 3.25 Councillors should note that at this stage it is only possible to estimate the amount of Retained Business Rates for 2026/27 (and, indeed, future years). Whilst the amounts for both Revenue Support Grant, Recovery Grants and Adjustment Support Grant referred to below are guaranteed, the estimate of Retained Business Rates is not. This is affected both by changes in the amount of business rates payable, itself subject to outstanding appeals and changes to the rating list (as new properties are built, existing properties demolished) along with the Council's collection rates.
- 3.26 There is, therefore, a degree of volatility in the estimate of retained business rates and this will need to be monitored carefully throughout the next financial year. The systems and processes to do that are well embedded in the Council. However as stated above the Government has provided a 100% safety net for 2026/27.

Revenue Support Grant

- 3.27 As indicated in Table 1 above, Revenue Support Grant for 2026/27 will be £4.745m. This reflects a significant increase compared to the amount received in 2025/26 (£1.601m) reflecting partly the reset of Business Rates and the rolling-in of s31 Grants related to Business Rates previously payable and, likewise, the rolling-in of various other grants as part of the Government's simplification of the grants Landscape.
- 3.28 Notably, it is not possible to determine from the analysis provided by the Government how much additional funding has been provided to the Council for the implementation of the Weekly Food Waste Scheme. As Councillors will be aware, the Council is required by statute to implement this scheme and it would, ordinarily, be considered a new burden, funded under the New Burdens Doctrine.

Recovery Grant

- 3.29 As in the current year, and despite originally indicating that it would not be paid, the Government will continue to provide the Council with a Recovery Grant of £453k.

Adjustment Support Grant

- 3.30 As part of the final Settlement, and reflecting changes to the way in Business Rate pooling gains have been redistributed as part of the reset of the Business Rates Retention Scheme, the Government has reduced the amount of RSG payable to the Council. To compensate, so that no Council receives less funding than was announced at the Provisional Settlement, the Government will pay an Adjustment Support Grant in 2026/27. This amount is £227k.
- 3.31 As a result of this adjustment, the Council's RSG for 2027/28 will also be reduced, by £115k. It is not clear at this stage whether the Government will provide further compensation in the way of an Adjustment Support Grant for 2027/28.

Comparison to Medium Term Financial Plan 2026/27

- 3.32 Table 3 below provides a comparison of the updated funding for 2026/27 outlined above with the estimated amounts that were assumed in the Medium Term Financial Plan 2026/27 to 208/29 (and as reported to the Executive in January 2026):

Table 3: Comparison of Funding Estimates to Medium Term Financial Plan

	2026/27 £000	2027/28 £000	2028/29 £000
Total Funding (See Table 2 above)	9,601	9,498	9,588
Medium Term Financial Plan (January 2026)	9,601	9,613	9,588
Variation	-	115	-

- 3.33 As the table indicates, there has been no change in the Council's funding position for 2026/27 but it has reduced by £115k in 2027/28 due to the loss of RSG. It is unclear at this stage whether the Council will be compensated for this loss as in 2026/27.

Forecast General Fund Outturn 2025/26

- 3.34 Elsewhere on the Agenda for this meeting is a report providing details of the Council's Forecast General Fund Outturn for 2025/26. This shows that the estimated outturn position on the General Fund Revenue Budget is an overspend of £78k when compared to the approved budget for the year. Should this position remain at the year end, it would increase the call on the Council's Budget Support Reserves from £497k to £575k.
- 3.35 Monitoring of the Council's Budget will continue with any variations to the estimated year-end position being reported to the Executive in due course as part of the normal Budget Monitoring reports.

Development of the Base Budget for 2026/27

- 3.36 As outlined in the report to the Executive on 22nd January 2026, the Base Budget for 2026/27 has been prepared based on the Council's existing policies, strategic objectives and related priorities. The main assumptions used in the development of the Budget Estimates were set out in the above report and these remain largely unchanged.
- 3.37 Since the last report, work has continued to 'firm up' the Base Budget for 2026/27 (and future years) as set out in **Appendix C**. The latest position is now shown in Table 4 below.

Table 4: Revised Net Expenditure 2026/27 (and Forecast to 2022/23)

	Base Budget 2026/27 £000	Forecast 2027/28 £000	Forecast 2028/29 £000
Net Expenditure	19,509	20,315	20,858
Less Specific Reserves	-	-	-
Net Expenditure as reported 22nd Jan 2026	19,509	20,315	20,858
Firming Up Adjustments (Appendix C)	(565)	(491)	(449)
Revised Net Expenditure	18,944	19,824	20,410

Pendle Leisure Trust – Grant 2026/27

- 3.38 In the current year the Pendle Leisure Trust will receive a grant from the Council of £1.807m. The Net Expenditure shown in the table above assumes no change in the grant.
- 3.39 As previously set out, discussions have been held with the Trust about their proposed budget requirement for 2026/27 and these indicate a funding requirement from the Council of £1.507m, a reduction of £300k when compared to the current grant.
- 3.40 Having now reviewed the proposed savings in the context of the Council's overall budget strategy for 2026/27, the Council's Corporate Leadership Team propose that the savings identified at **Appendix D**, which total £300k should be accepted.

Employers Pension Contributions

- 3.41 A report elsewhere on the Agenda for this meeting provides details of the Council's proposed Employers Contributions to the Lancashire County Pension Fund for 2026/27 to 2028/29. Given the Fund is in surplus, a contribution rate of 12.0% is proposed. This would result in a further reduction of the cost of pensions (of £306k) in 2026/27 which is included in the Firming Up Adjustments at **Appendix C**.

Local Government Reorganisation – Transition Fund

- 3.42 In all the business cases submitted to Government by Councils in Lancashire for the unitarisation of local government, an amount was included for the cost of Councils transitioning from the existing models of governance to the new Councils. For planning purposes, a Transition Fund of £30m reflects the broad average across the business cases of the assumed level of costs likely to be incurred in the period up to vesting day in April 2028. In the absence of any funding from Government, it is for the Councils in Lancashire to fund these transition costs.

- 3.43 Discussions have taken place between Councils on the funding of these costs. It has been provisionally agreed that the costs will be borne 75:25 between Upper Tier Councils (£22.5m) and District Councils (£7.5m). Of the District Council share, again it has provisionally been agreed that the costs will be distributed between Councils using Council Taxbase. The Council's contribution to the Transition Costs will be, therefore, £500k. Whilst arrangements for payment of shares has yet to be agreed, it is proposed to fund this contribution from the Council's Budget Strategy Reserve.
- 3.44 It should be noted that the Transition Fund will be administered by Lancashire County Council in line with an Assurance Framework to be agreed by Lancashire Chief Finance Officers.

Reserves and Balances

- 3.45 Details of the Council's Reserves and Balances were provided in the January budget report. An updated analysis of Balances and Reserves is now provided at **Appendix E**. A strategy for the use of Balances and Reserves was also set out in the January report and this remains largely unchanged apart from the following adjustments:-
- a total of £1.500m will be used from the Budget Support Reserve over the 3 year Plan period to 2028/29.
 - a further £500k will be used from Budget Strategy Reserve to fund the Council's contribution to the Transition Fund for Local Government Reorganisation (as set out above).
 - £300k will be used from the Budget Strategy Reserve to fund additional capacity to support work on Local Government Reorganisation as previously agreed by the Executive.
- 3.46 Other points to note about the Council's Reserves and Balances in the context of the Medium Term Financial Plan are:-
- Specific Reserves will be used only for the purposes for which they have been set aside and will be subject to an annual review; the MTFP currently assumes no use of these reserves in the period 2026/27 to 2028/29, and
 - the Minimum Working Balance will remain at £1.0m for 2026/27 and will be subject to review on at least an annual basis to assess the adequacy of this (as with all other reserves).
- 3.47 It is also worth reiterating that, in compliance with statutory obligations, a review of the adequacy of financial reserves has been undertaken, as set out earlier in this report, and the outcome of that review is provided at **Appendix A**. A further review of reserves will be undertaken following the closure of the Council's Statement of Accounts 2025/26 later this year.

The Updated Medium Term Financial Plan 2026/29

3.48 Taking into consideration the matters referred to above, the Council's Medium Term Financial Plan to 2028/29 has been updated and is set out in Table 5 below:-

Table 5: Medium Term Financial Plan 2026/27 to 2028/29

	Base Budget 2026/27 £000	Forecast 2027/28 £000	Forecast 2028/29 £000
Net Expenditure - see Table 4 above	18,944	19,824	20,410
Use of Budget Support Reserve	(500)	(500)	(500)
Budget Requirement	18,444	19,324	19,910
Funding			
Retained Business Rates – see Table 1 above	(4,175)	(4,271)	(4,357)
Revenue Support Grant – see Table 1 above	(4,745)	(4,774)	(4,778)
Collection Fund Surplus – Business Rates	(660)	(200)	(200)
Collection Fund Surplus – Council Tax	(659)	(200)	(200)
Council Tax Income – see Table 6 below	(7,970)	(8,270)	(8,581)
Total Funding	(18,210)	(17,715)	(18,116)
Budget Deficit	235	1,609	1,794

3.49 As the table shows, based on the information set out above, the Council's budget in 2026/27 shows a deficit of £235k. This is considered in more detail below. Equally, there remains a budget deficit over the medium term of c£1.794m which the Council will need to address (at least for 2027/28 subject to Local Government Reorganisation).

Council Tax 2026/27

3.50 From a financial planning perspective, the assumption on Council Tax for 2026/27 has remained unchanged from that reported to the Executive in January 2026 and is set out in Table 6 below:-

Table 6: Council Tax Assumptions 2026/27 to 2028/29

	Base Budget 2026/27	Forecast 2027/28	Forecast 2028/29
Estimated Council Tax Base (Band D Properties)	25,164.44	25,353.17	25,543.32
Estimated Council Tax (Band D)	£316.71	£326.18	£335.93
Council Tax Income (£000)	£7.970m	£8.270m	£8.581m
% Council Tax Increase Assumption	2.99%	2.99%	2.99%

3.51 The final Settlement confirmed that the Council Tax Referendum Principles would remain as previously announced – for District Councils an increase in Council tax would be deemed excessive if it is 3.0% or more hence the proposal to increase the Council Tax by 2.99%.

- 3.52 As Table 5 shows, increasing Council Tax by 2.99% will give rise to a Band D charge of £316.71, an increase of £9.19 compared to the charge in the current year of £307.52. Over 60% of our dwellings are in Band A for which the equivalent increase would be £6.13 giving rise to a Band A charge of £211.14, up from £205.01 in this year.
- 3.53 If this increase is not agreed then the Council will have to identify and implement additional savings for the equivalent amount of Council Tax income foregone. If Councillors were minded to approve no increase in Council Tax for 2026/27, then the loss of income from Council Tax would be £231k for next year in isolation and £720k cumulatively over the plan period increasing the level of savings required by the equivalent amount.
- 3.54 At this time an increase in Council Tax of 2.99% is purely a financial planning assumption. It is acknowledged that no decision has yet been taken by Councillors in connection with this and Full Council will ultimately determine the level of Council Tax for 2026/27 when it meets on 26th February.
- 3.55 Given the financial position facing the Council, the Corporate Leadership Team's recommendation is that the Council should increase Council Tax for 2026/27 by the maximum permitted i.e. 2.99% (an increase of £9.19). If agreed, this would result in a Band D charge for Pendle Council services only of £316.71. An increase of £9.19 equates to c18p per week for Band D Properties (for Band A properties, it would be £6.13 or c12p per week).
- 3.56 The Executive may wish to consider and recommend to Council an alternative level of Council Tax. To assist Councillors in their deliberations on this matter, **Appendix F** shows a range of Council Tax requirements and associated Council Tax levels, combined with the impact on the budget, at different tax levels.
- 3.57 The above analysis only considers the Council Tax charge made by the Borough Council. Council Tax charges for the other authorities (Lancashire County Council, Police and Crime Commissioner and Fire Authority) that precept upon the Council will be provided as part of the Council Tax Resolution to Council on 26th February.

Draft Budget for 2026/27 – Corporate Leadership Team Recommendation

- 3.58 As Councillors will note, Table 5 above indicates that, based on the assumptions set out earlier in this report, the Council's budget for 2026/27 is showing a residual deficit of £235k.
- 3.59 Acknowledging this, Table 7 below summarises a proposed budget for 2026/27 from the Council's Corporate Leadership Team. This budget assumes:-
- the reduction in the grant payable to the Pendle Leisure Trust (details of which are provided above);
 - further savings of £102k as agreed by the Cross-Party Budget Working Group;

- using £333k from the Council's Budget Strategy Reserves;
- An increase in Council Tax of 2.99%.

3.60 The proposed Base Budget for 2026/27 also contains no provision for budget growth (beyond that already approved and reasonable estimates of inflation).

Table 7: Corporate Leadership Team - Budget 2026/27

	Base Budget 2026/27 £000	Forecast 2027/28 £000	Forecast 2028/29 £000
Net Expenditure - see <i>Table 4 above</i>	18,944	19,824	20,410
Savings			
Pendle Leisure Trust Grant	(300)	(300)	(300)
Savings agreed by Budget Working Group	-	-	-
- Review of Operational Services Staffing	(72)	(72)	(72)
- In-house Commercial Food Waste	(30)	(30)	(30)
Total Savings	(402)	(402)	(402)
Funding			
Retained Business Rates – see <i>Table 1 above</i>	(4,175)	(4,271)	(4,357)
Revenue Support Grant – see <i>Table 1 above</i>	(4,745)	(4,774)	(4,778)
Collection Fund Surplus – Business Rates	(660)	(200)	(200)
Collection Fund Surplus – Council Tax	(659)	(200)	(200)
Council Tax Income – see <i>Table 6 above</i>	(7,970)	(8,270)	(8,581)
Total Funding	(18,210)	(17,715)	(18,116)
Use of Budget Strategy Reserve	(333)	(500)	(500)
Budget Deficit	-	1,207	1,392

The Financial Strategy 2026/27 to 2028/29

- 3.61 As Table 7 above summarises, there remains an estimated budget deficit of c£1.4m over the life of the Medium Term Financial Plan that still needs to be addressed and this is considered below. As ever, there are a range of matters that will have a bearing on this position, not least the impact of Local Government Reorganisation which, if concluded on the present timetable, will see the Council abolished on 31st March 2028.
- 3.62 Equally, the extent to which the Council can place reliance on balances and reserves to balance the budget (all the while sustaining expenditure above ongoing income levels) remains difficult. There is a need, therefore, for the Council to continue to implement its Financial Strategy as a means to achieving a sustainable budget.

Developing the Financial Strategy 2026/27 - 2028/29

3.63 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 and once the Council has closed its accounts for 2025/26. In the meantime, acknowledging that the Council will wish to maintain its good financial health in the period up to Local Government Reorganisation, 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 may also include reviewing the level of discretionary reliefs / discounts and the local scheme of Council Tax Support;
- **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 continually working with partners, including local town and parish councils to sustain local facilities;
- **Stopping** – identifying what are no longer priorities for the Council or areas that are deemed lower priority and ceasing to spend resources on them. This theme resulted from the review by the LGA Peer Challenge Team who felt this was essential for the Council to address given the level of savings required.

3.64 More details relating to each of these areas is provided below:-

'Growing'

3.65 The Council's present strategy for economic development and regeneration focuses on growth in existing businesses within Pendle and reflects the delivery of the Economic Development Strategy to ensure that those businesses that want to grow are supported in doing so. Examples of activity to support this Strategy include:-

- participating in the wider economic development planning for Lancashire and Pennine Lancashire including contributing to the work of the Lancashire Combined County Authority (LCCA) including, for example, the Lancashire Growth Plan and the Lancashire Local Transport Plan. It is clear from Government announcements that Strategic Authorities such as the LCCA will become the vehicles through which the Government's broader devolution agenda will be driven and so the Council will, whilst it remains, need to keep a watching brief on developments in this area;
 - working with the Pendle Vision Board to promote and raise the profile of Pendle (and its constituent Towns) through the 'Place Pendle' brand as a place to do business and as a means of encouraging networking between business, skills providers and the public sector;
 - continuing to lobby for investment in the Pendle Borough (including, for example, investment in Town Centres to supplement the Town Deal and Pride in Place Schemes);
 - promoting the availability of business support including offers of grant funding and other support to new start-up and established businesses through the Boost project operated by Growth Lancashire. This facilitates the growth in those businesses ultimately leading to both more jobs and additional business rates for the Council;
 - supporting businesses in their search for additional business premises and employment land.
- 3.66 The 'Growing' strand is dependent on the ability to generate economic growth with a focus on increasing housebuilding rates and economic/industrial development. The recently adopted Local Plan provides the spatial strategy for the sustainable development of the Borough, providing the foundation for the Council's continuing growth aspirations.
- 3.67 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.
- 3.68 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.

'Charging'

- 3.69 'Charging' for services and maximising the income to the Council alleviates the pressure to find savings from budget reductions.
- 3.70 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 in due course. .
- 3.71 In the meantime, the Budget Working Group has considered changes to existing fees and charges and these were considered and approved by Council in December 2025.

'Saving'

- 3.72 To the extent that the Growth Strategy will take time to deliver and Charging alone is unlikely to 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 to 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;

3.73 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.

'Stopping'

3.74 In the period of austerity, the Council worked to ensure that frontline 'street-level' services have continued to be delivered. In some cases, this has not always been possible directly, but working in partnership with Town and Parish Councils and the Voluntary Sector have seen services sustained and facilities continuing to operate. The extent to which this approach can continue is subject to the sustainability of these partnerships and the capacity of other organisations to provide services/manage facilities.

3.75 It is not clear at this stage what appetite there is with Town and Parish Councils to take on these activities. Further meetings are planned to consider these in more detail and the outcome of these meetings will be the subject of further reports to this Committee.

Capital Programme 2026/27

3.76 A report elsewhere on the Agenda for this meeting provides more details of the proposed Capital Programme for 2026/27. The financial implications of the proposed programme that are funded from the revenue budget, have been included in the budget estimates within this report.

Estimated Collection Fund Surplus 2026/27

- 3.77 The Collection Fund Accounts are required to account for precepts and the income collected from Council Tax and Business Ratepayers by the Council acting as the Billing Authority. As budgets and associated precepts represent estimates at a point in time variations can occur which result in either actual surpluses or deficits. These must be shared between the major precepting bodies (County, District, Police and Crime Commissioner and Fire and Rescue Service).
- 3.78 The projected year end position on the Collection Fund in respect of Council Tax is an estimated surplus of £3.875m, of which the Council's share is £660k. This has been factored into the budget submission for 2026/27.
- 3.79 The projected year end position in respect of Business Rates is an estimated surplus of £1.648m and this will be distributed during 2026/27 with Pendle's share at 40% being £659k.

Council Tax Base 2026/27

- 3.80 The Council Tax Base has been calculated in accordance with the relevant regulations at 25,164.4 Band D equivalent dwellings.

Group Proposals

- 3.81 At this meeting, the Executive is requested to make recommendations to the Council on the Council Tax to be levied, the General Fund Revenue Budget Requirement and the Capital Programme.
- 3.82 Each Group also has the opportunity to present alternative budget proposals for consideration by Council.
- 3.83 Groups are requested, however, to note the statutory obligation of the Director of Resources (as the Council's Chief Financial Officer) to make a statement on the robustness of the Council's budget calculations in support of the proposed budget. In view of this, Groups have been encouraged to discuss, in confidence, their budget proposals with the report author prior to the meeting of Council on 26th February 2026.

Budget Consultation

- 3.84 The following activities have been undertaken to raise awareness and seek feedback on the Council's budget. These include:-
- a Budget Consultation, which was undertaken during January and February 2026. A summary of the outcome of this consultation is provided at **Appendix H**.
 - Periodic information to staff; participation in relation to Organisational Review.

Precepts, Printing Council Tax Bills etc.

- 3.85 The Major Preceptors will each set their budgets and Council Tax during February. Details of their respective precepts and council tax charges will be reported to the meeting of Council on 26th February when Council will be asked to approve the budget and council tax for Pendle.
- 3.86 Details of Town and Parish Council Precepts for 2026/27 have been requested and a summary listing of proposed precepts is provided in **Appendix I**.
- 3.87 The scheduled date for council tax bills and accompanying leaflets to be printed is late February 2026 to enable the bills to be issued by mid-March at the latest. Should it not be possible for the main billing process to start by early March, it would not be possible to issue bills in sufficient time to ensure the first Direct Debit instalments are collected on 1st April. Hence, it is important that Council Tax is set at the meeting of Council on 26th February.

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.
- 4.2 The position reported for 2026/27 and the forward projections in the report continue to pose a significant challenge to sustaining current service delivery over the medium-term. There remains a need, therefore, to put in place a strategic approach to future financial planning with a particular focus on a move to a more sustainable cost base over the medium term planning period. The Council will also need to review policies on the delivery of existing services to determine whether the existing policy direction is affordable within the resources available.

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.
- 5.3 The Council must calculate and approve its Council Tax Requirement for the forthcoming financial year in accordance with s32 and s43 of the Local Government Finance Act 1992 (LGFA 1992), annually.

- 5.4 Section 25 of the Local Government Act 2003 also requires the officer having responsibility for the administration of the Council's financial affairs (Chief Executive), to report to the Council on the robustness of the budget estimates and adequacy of financial reserves when determining its budget requirement under the LGFA 1992. This is considered in **Appendix A** and will be reported to Council on 27th February when the budget is presented for approval.

Risk Management

- 5.5 When considering the risks and risk management measures associated with the budget for next year, Councillors should note the draft statement on the robustness of the budget estimates and the adequacy of financial reserves shown at **Appendix A**.
- 5.6 The development of the Council's budget is a complex task and is based on estimates of future income and expenditure. These estimates are made based on the best information available at the time and can include a range of assumptions on factors like pay inflation, interest rates and demand for services.
- 5.7 Whilst efforts are made to ensure these estimates are robust, Councillors should be aware there is a risk that both internal and external factors may have an impact on budgetary performance. To help mitigate this the Council has in place various mechanisms including for example, financial and contract procedure rules, budgetary control and monitoring arrangements to ensure that it can take pro-active action should it be necessary.
- 5.8 Councillors should be aware that greater risk taking is one potential consequence of the ongoing search and pressure to find savings via 'technical' options whilst trying to preserve front line service delivery.
- 5.9 Whilst the budget recommended for 2026/27 is balanced, albeit with the use of a contribution from the Budget Strategy Reserve of £333k, the medium term financial plan indicates a deficit of £1.4m that is unsustainable in the medium term. Even using reserves to smooth the effect of expected reductions in funding, substantial budget reductions need to be made to maintain a balanced budget. Using reserves in excess of the amounts referred to in the budget strategy would, in the absence of any increase in Government funding, present a real risk to maintaining basic levels of service and require significant savings to be identified in later years of the plan period. That said, Councillors may wish to view this risk in the context of Local Government Reorganisation which will see the Council abolished on 31st March 2028.

- 5.10 The recommended budget for next year includes a small number of budget reduction proposals. These proposals have been identified through the service and financial planning process and have been agreed by the Budget Working Group. Any savings agreed must also be implemented effectively and on time and progress on this will be monitored throughout the year. The adopted Financial Strategy retains the four key themes of ‘growing’, ‘charging’ ‘saving’ and ‘stop’. The report outlines the requirement for further substantial savings to be made and the importance of starting work on these now to ensure solutions can be implemented to achieve a balanced budget over the medium term.
- 5.11 The position on the Council’s MTFP is recognised on the Council’s Strategic Risk Register as the highest risk for the Council as such there is a continual review of the measures required to achieve a balanced budget.

Climate and Biodiversity Implications

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

Human Resources Implications

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

Equality and Diversity Implications

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

6. Consultation

- 6.1 As outlined in the report, a consultation has been undertaken 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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