

## Medium Term Financial Strategy Update

2026/27 – 2030/31

2 December 2025

### Report of Chief Finance Officer

#### PURPOSE OF REPORT

To provide an update on the Council's Medium Term Financial Strategy forecasts for 2026/27 to 2030/31 and outline the approach to balancing the budget.

**This report is public.**

#### RECOMMENDATION OF PORTFOLIO HOLDER FOR FINANCE & RESOURCES

That Cabinet considers :

- (1) The draft future years estimates as set out in the report as the latest information available, accepting that this is an interim position.
- (2) Agrees that the update be referred on to December Council for information.
- (3) Notes the Council Tax Base for 2026/27 as set out in paragraph 3.12.

#### 1.0 INTRODUCTION

- 1.1 Under the Constitution, Cabinet has responsibility for developing corporate planning proposals and a balanced budget for Council's consideration.
- 1.2 This report sets out:
  - An updated budget gap analysis taking account of the latest funding outlook and other information on expenditure and income pressures.
  - A summary of the budget framework strategy
- 1.3 It is critically important that all Members understand that the position reported is an interim update of the baseline position and primarily for information. It contains a series of estimates and assumptions that are based on the latest information available. These are highly likely to change over the coming months as we work through the budget process. It does not include any impact the Local Government Finance Settlement due mid-December may have.

#### 2.0 UPDATED BUDGET GAP ANALYSIS

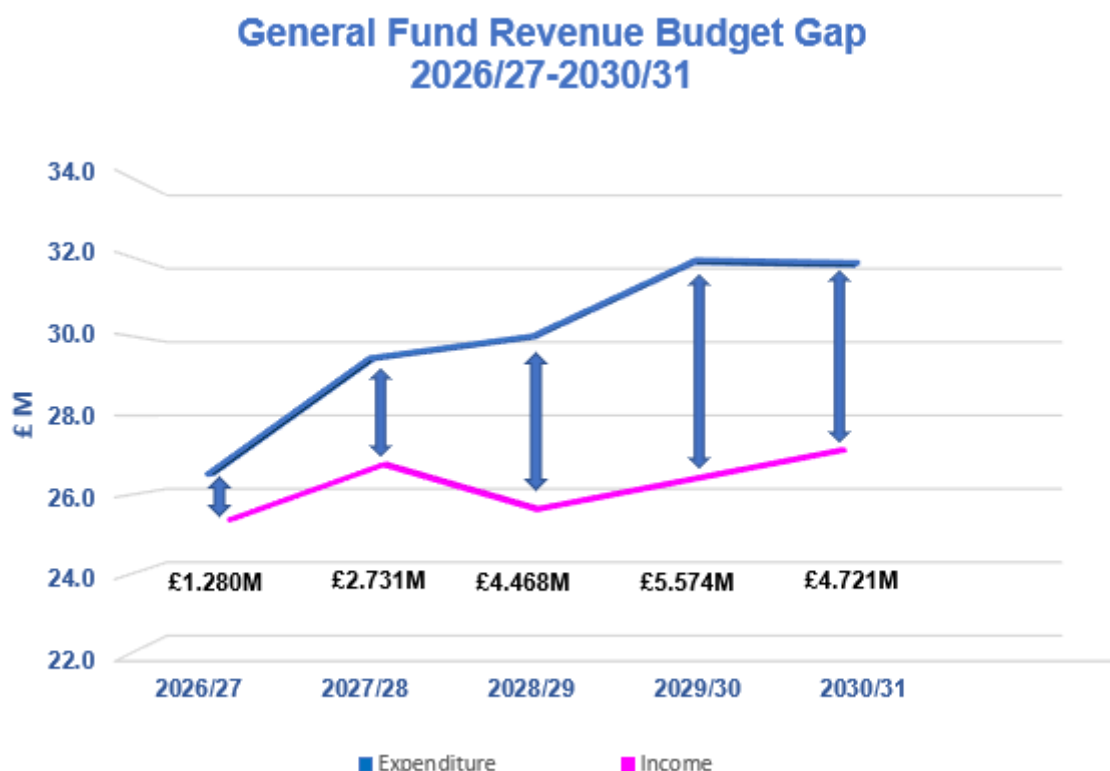
- 2.1 Officers have been working with budget holders and Senior Leadership Team to update the Council's Medium Term Financial position. The review considered latest available information around government funding, other income streams as well as forecast expenditure levels incorporating known budget pressures. It aims to provide a baseline position.

2.2 As noted above, this baseline forecast is subject to change when more up to date information becomes available and does not reflect the ongoing work being done by Cabinet and Senior Leadership Team in regard to any Outcomes Based Resourcing (OBR)/Fit for the Future (FtF) proposals, nor does it reflect the revenue impact of any proposed further revisions to the capital programme made after the after Capital Programme Mid Year Review report was approved by Council on 24 September 2025. It sets a baseline position without any further interventions in the Budget setting process. The interventions and actions being undertaken include:

- A range of income and efficiency proposals aiming to significantly reduce the 2026/27 budget gap, to be brought forward in the upcoming Budget and Policy Framework.
- An ongoing OBR/FtF process which includes the examination of every area of its budget and matching resources more closely with its priorities. The OBR/FtF programme includes looking at ways the Council can do things differently by utilising technology and being more efficient, as well as considering areas in which it can generate more income.

More details on OBR/FtF are given in section 6.0 of this report.

2.3 The current budget gap for the next five years to 2030/31 is summarised in the graph below. The graph below assumes no intervention, but it does highlight the scale of the challenge facing the Council, the reasons for which are outlined in the report.



### 3.0 GOVERNMENT FUNDING PROSPECTS

3.1 Members will be aware that Local Government funding has changed significantly over recent years. Significant reductions in central funding have taken place and as a result the Council is now almost entirely reliant on Council Tax and Business Rates with income from some assets and services to fund net expenditure. It is, therefore, important to provide regular estimates of these key funding streams.

### Autumn Statement

- 3.2 Government announced its Autumn Statement on 26 November 2025 and as this report was written prior to that date and therefore doesn't include any financial consequences arising from it. A further update will be produced for all Members which will be reported into January's Cabinet and Council meetings.

### Local Government Finance Settlement

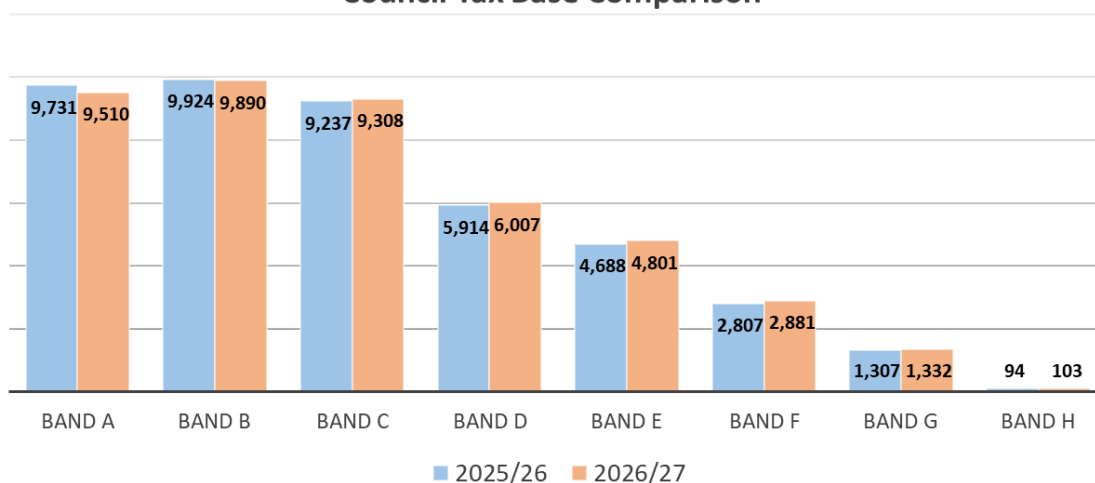
- 3.6 Given that the Settlement announcement is imminent, and the current level of uncertainty, there is little benefit to be gained from spending significant time on modelling different funding scenarios; real information is needed at this stage in the process.
- 3.7 Nonetheless, some preliminary high-level work has been done to update the budget scenarios, in order that we do not lose sight of the potential risks and the challenge created by the underlying position.
- 3.8 This has taken the updated budget position and reflected several assumptions such as general inflation, the Local Government Pay Award and prospects for retained Business Rates, Council Tax yield and New Homes Bonus.
- 3.5 A further update will be produced for all Members once the Settlement has been announced and its impact assessed. This will be reported into January's Cabinet and Council meetings.

### Council Tax

- 3.9 Council Tax is one of the Council's primary sources of funding and is calculated by multiplying the tax base, the number of eligible residential properties (expressed in band D equivalents), by the level of the district council precept which is determined each year.
- 3.10 The tax base for 2026/27 has been calculated as 43,833 Band D equivalent properties after allowing for a collection rate of 98.677%, the same as in previous years. This equates to a negligible increase in the tax base from 43,702 in 2025/26. This increased number of Band D equivalents when compared to the forecast in 2025/26 is largely due to :-
- new properties built in the area
  - an increase in exempt accounts due to a review of student exemptions

From 2026/27 1% growth in the Tax base has been used for forecasting purposes.

**Council Tax Base Comparison**



- 3.11 The Government's referendum criteria which limits increases in the Council's element of Council Tax currently remains unchanged at 3% or £5, whichever is greater. For the purposes of forecasting, it has been assumed that the Council will increase council tax by 2.99%, the maximum allowed before triggering a referendum, in each of the next three

years.

- 3.12 The table below sets out Council Tax forecasts for the next four years including a sensitivity analysis showing the potential impact on council tax yield of different scenarios:

	Actual 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Forecast 2029/30	Forecast 2030/31
Council Tax Band D 2.99% increase	£264.30	£272.20	£280.34	£288.72	£297.35	£306.24
Council Tax Band D (£5 increase)	£264.30	£269.30	£274.30	£279.30	£284.30	£289.30
Tax base (1% growth from 2026/27)	43,702	43,833	44,271	44,714	45,161	45,613
<b>Council Tax Income (based on 2.99%)</b>	<b>£10,610,019</b>	<b>£11,931,343</b>	<b>£12,410,932</b>	<b>£12,909,826</b>	<b>£13,428,623</b>	<b>£13,968,525</b>
Previous MTFS		£12,015,000	£12,498,000	£13,000,000	£13,522,000	£14,066,000
<b>Difference Increase or (Decrease)</b>		<b>-£83,657</b>	<b>-£87,068</b>	<b>-£90,174</b>	<b>-£93,377</b>	<b>-£97,475</b>
<b>Scenario 1</b> – No increase in Council tax over period of MTFS		<b>-£429,938</b>	<b>-£797,175</b>	<b>-£1,182,090</b>	<b>-£1,585,948</b>	<b>-£2,010,484</b>
<b>Scenario 2</b> – Council Tax Band D (£5 increase)		<b>-£210,773</b>	<b>-£354,465</b>	<b>-£511,380</b>	<b>-£682,728</b>	<b>-£870,159</b>
<b>Scenario 3</b> – 1.5% increase in tax base growth & 2.99% increase from 2026/27)		<b>-£83,657</b>	<b>-£1,845</b>	£62,848	£133,204	£208,459

### Business Rates

- 3.13 Business Rates is now a fundamental part of the local government finance settlement and, along with Council Tax, accounts for the majority of local government financing. There are currently several significant uncertainties which make forecasting and planning extremely difficult, these are set out below.
- 3.14 As discussed in section 3.2, the Autumn Statement has not been released at the time of writing this report so no changes can be factored in at this point in time.
- 3.15 There is a 2025/26 forecast year end deficit of (-£0.788M) which will be recognised in 2026/27, however this will be fully funded from the Business Rates Retention Reserve (BRRR). It should be noted that this figure will increase or decrease in line with collection fund monitoring until the NNDR1 form is submitted in January 2026.
- 3.16 With regard to 2026/27, the proposed business rates reset will take place and this will affect the collection fund in a number of ways :-
- A revised business rates baseline which is the amount that we are expected to collect as an Authority
  - A revised baseline funding level which is the funding need as determined by the government
  - Expected changes to the tariff payable by the Authority and S31 grants due to the Authority

The overall effect of the above is expected to be addressed within transitional arrangements but it is proposed to utilise the BRRR to mitigate any significant financial impact.

At the time of writing this report, the various models required to calculate the future impact have not been released. However, it is expected before the end of November and the financial impact will be considered within future iterations of this report as appropriate.

## **4.0 MEDIUM TERM FINANCIAL STRATEGY – CURRENT PROSPECTS TO 2030/31**

- 4.1 Total operational changes included in the base budget for 2026/27 currently amount to a decrease in expenditure of £2.225M and are provided in the General Fund Revenue Budget

Projections 2026/27 - 2030/31 table at paragraph 4.3.

### MTFS Planning Assumptions

- 4.2 Within the current base budget there are several principles and key assumptions underpinning the proposed revenue strategy. The table below lists the major assumptions that have been made within the MTFS. Members should note these assumptions are highly likely to change as we move through the budget cycle

	2026/27	2027/28	2028/29	2029/30	2030/31
Council Tax Base Growth	1.00%	1.00%	1.00%	1.00%	1.00%
Council Tax Increase	2.99%	2.99%	2.99%	2.99%	2.99%
Council Tax Collection Rate	98.67%	98.67%	98.67%	98.67%	98.67%
Fees & Charges	3.80%	2.20%	2.00%	2.00%	2.00%
Pay Award	3.00%	3.00%	3.00%	3.00%	3.00%
Employer Pensions Contribution	10.40%	10.40%	10.40%	10.40%	10.40%
Electricity	24p/kwh	-9.81%	-4.38%	-6.79%	-17.61%
Gas	3.5p/kwh	2.20%	2.00%	2.00%	2.00%
Other inflation	3.80%	2.20%	2.00%	2.00%	2.00%
Interest Rate – investments	4.00%	3.25%	3.00%	3.00%	3.00%
Interest Rate – new borrowing	4.70%	4.30%	4.30%	4.30%	4.30%

### 4.3 General Fund Revenue Projections 2026/27 – 2030/31

General Fund Revenue Budget Projections 2026/27 to 2030/31					
For Consideration by Cabinet 2 December 2025					
	2026/27	2027/28	2028/29	2029/30	2030/31
	£'000	£'000	£'000	£'000	£'000
<b>GF Revenue Budget/Forecast as at 26 February 2025</b>	<b>28,749</b>	<b>29,489</b>	<b>30,118</b>	<b>31,873</b>	<b>32,829</b>
<b>Base Budget Changes</b>					
Further Operational Changes					
Pay Award 25/26	188	194	200	206	212
Pensions (Employer Contribution Reduction)	(1,251)	(1,232)	(1,223)	(1,229)	(1,234)
Increase Staff Turnover (to £1M)	(352)	(352)	(352)	(352)	(352)
Interest Payable	(128)	43	33	33	43
Interest Receivable	18	72	36	38	38
Minimum Revenue Provision (MRP)	(190)	15	26	17	(426)
Review of Reserves	(293)	(293)	(293)	(293)	(293)
Use of Business Rates Retention Reserve	(788)	0	0	0	0
Review of Inflation Factors	37	61	71	60	(159)
Review of Corporate Property Programme	61	291	82	(12)	(382)
Review of Asset & Compliance Programme	(389)	(135)	(240)	(161)	(193)
Commercial Property Rental Income	498	74	(13)	(13)	(13)
Bed & Breakfast Expenditure	(541)	0	0	0	0
Burrowbeck/Gateway Solar	200	200	200	200	200
Waste Collection pEPR Payment	(367)	(347)	(326)	(305)	(305)
Food Waste (removal of savings target)	350	388	409	434	434
Williamson Park Net Income	143	143	143	143	143
Car Parking Pay & Display Income	350	350	350	350	350
Revenues Shared Service	60	60	60	60	60
ICT Cyber Security	114	114	114	114	114
Minor Variances	(15)	(110)	74	179	192
<b>Latest Budgetary Position</b>	<b>26,454</b>	<b>29,025</b>	<b>29,469</b>	<b>31,342</b>	<b>31,258</b>
Revenue Impact of Capital Programme Review (MRP & Interest)	77	441	546	564	583
Revenue Impact of Capital Programme Review (Ongoing Revenue)	(7)	(32)	(32)	(32)	(32)
<b>General Fund Revenue Budget</b>	<b>26,524</b>	<b>29,434</b>	<b>29,983</b>	<b>31,874</b>	<b>31,809</b>
<b>Core Funding:</b>					
Revenue Support Grant	(460)	(460)	(460)	(460)	(460)
Prior Year Council Tax (Surplus)/Deficit					
Prior Year Business Rates (Surplus)/Deficit	788				
Net Business Rates Income	(13,641)	(13,832)	(12,145)	(12,411)	(12,659)
<b>Council Tax Requirement</b>	<b>13,211</b>	<b>15,142</b>	<b>17,378</b>	<b>19,003</b>	<b>18,690</b>
<b>Estimated Council Tax Income -</b> (Increases based on 2.99% for 2025/26 then max allowable)	<b>11,931</b>	<b>12,411</b>	<b>12,910</b>	<b>13,429</b>	<b>13,969</b>
<b>Structural (Surplus)/Deficit</b>	<b>1,280</b>	<b>2,731</b>	<b>4,468</b>	<b>5,574</b>	<b>4,721</b>
<b>Incremental Deficit as Percentage of Net Revenue Budget</b>	<b>5%</b>	<b>9%</b>	<b>15%</b>	<b>17%</b>	<b>15%</b>

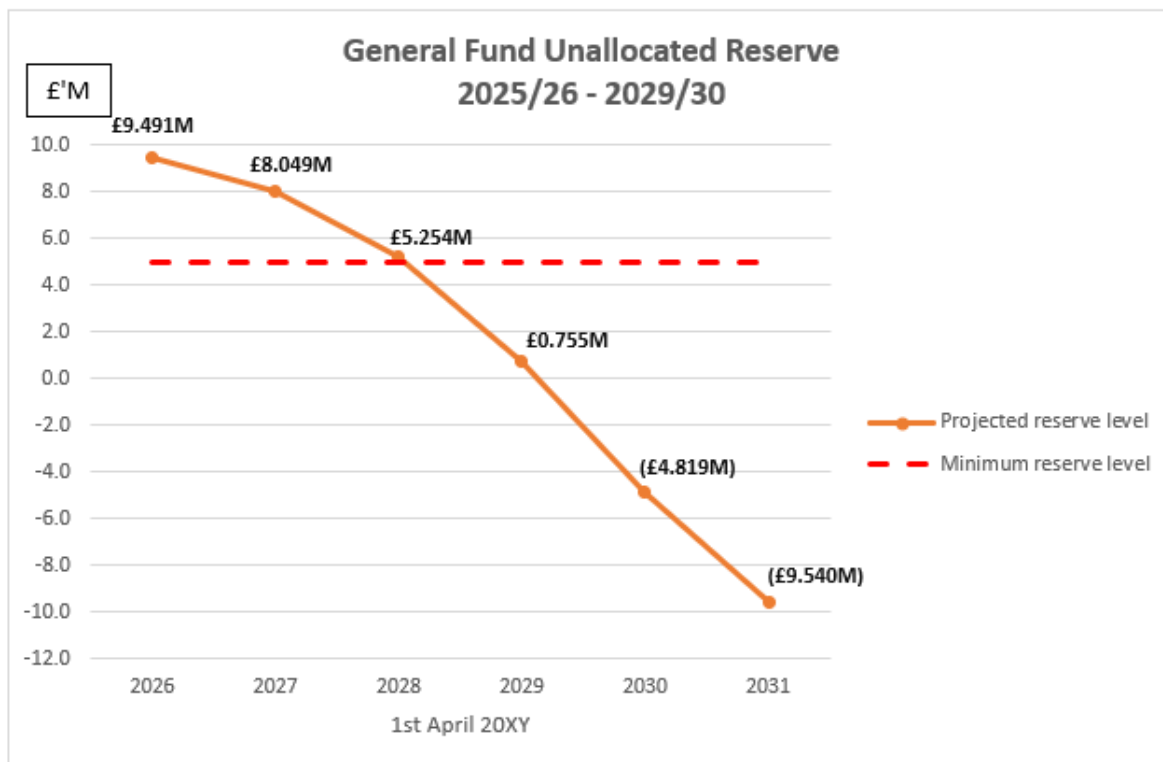
- 4.4 To reaffirm, the baseline forecast deficit positions above are subject to change when more up to date information becomes available and does not reflect the ongoing work being done by Cabinet and Senior Leadership Team in regard to any OBR/FtF proposals, nor does it reflect the revenue impact of any future revisions to the capital programme.

## 5.0 PROVISIONS, RESERVES AND BALANCES

- 5.1 A Council's reserves are an essential part of good financial management. They help the Council to cope with unpredictable financial pressures and plan for future spending commitments. Councils generally hold two types of reserves, "Unallocated" to meet short term unexpected cost pressures or income reductions and "Earmarked". These can be held to provide for some future anticipated expenditure for identified projects (particularly in respect of corporate priorities), address specific risks such as business rates, provide up-front costs which specifically result in future efficiencies, cost savings or increased income, or to hold funding from other bodies, mainly Government, for specified purposes.
- 5.2 As noted above, reserve levels and their usage are an important part of the budget framework. It is important that the Council maintains a healthy level of reserves in order to maintain financial resilience. The Council's minimum level of General Fund balance currently stands at £5M, at the advice of the s151 Officer.
- 5.3 The Council's Outturn Report 2024/25 showed the Council's Unallocated General Fund Balance as £10.028M. As reported to Cabinet elsewhere on this agenda (Delivering Our Priorities: Q2 2025/26 report), the projected level of the unallocated reserve is expected to reduce to £9.491M by 31 March 2026.

Without significant intervention by the Council the General Fund budget gaps will remain and unallocated balances will be required to fund them. Whilst the required level of reserves is assessed annually the forecast deficits are of such a size that available unallocated reserves will be expended within 2029/30, as illustrated in the tables below.

		2026/27	2027/28	2028/29	2029/30	2030/31
		£'000	£'000	£'000	£'000	£'000
<b>BALANCES</b>	<b>General Fund Unallocated Balance</b>					
		£M	£M	£M	£M	£M
	Balance as at 1 April 2026-30	(9.491)	(8.049)	(5.254)	(0.755)	+4.819
	In Year allocations	+0.162	+0.064	+0.031	+0.000	+0.000
	Forecast (Under)/Overspend	+1.280	+2.731	+4.468	+5.574	+4.721
	Other Adjustments	+0.000	+0.000	+0.000	+0.000	+0.000
	<b>Projected Balance as at 31 March 2027-31</b>	<b>(8.049)</b>	<b>(5.254)</b>	<b>(0.755)</b>	<b>+4.819</b>	<b>+9.540</b>
	<b>Reserves</b>	<b>(8.049)</b>	<b>(5.254)</b>	<b>(0.755)</b>	<b>+4.819</b>	<b>+9.540</b>
	<b>Less Recommended Minimum Level of Balances</b>	<b>5.000</b>	<b>5.000</b>	<b>5.000</b>	<b>5.000</b>	<b>5.000</b>
<b>Available Balances</b>		<b>(3.049)</b>	<b>(0.254)</b>	<b>+4.245</b>	<b>+9.819</b>	<b>+14.540</b>



- 5.4 In addition to the General Fund Unallocated Reserve the Council holds some further non-ringfenced reserves. These include the Business Rates Retention (BRR), and the renewals reserve. The table below shows the position were these also to be utilised to support the budget deficit.
- 5.5 However, Members should be aware that whilst the BRR can be utilised to support the general fund its main function is to manage fluctuations within with Business Rates Retention regime. It contains several technical entries such as provision for appeals against business rating values. The appeals are independently managed by the Valuation Office Agency (VOA) and so the outcome is out of the Council's control. As a result the movement in the BRR can be significant depending on the volume and value of any appeals. The reserve is also there to manage routine surpluses and deficits encountered during the normal administration of the business rates system. It is therefore recommended that the use of this reserve is treated with extreme caution.

	31-Mar-26 £'M	31-Mar-27 £'M	31-Mar-28 £'M	31-Mar-29 £'M	31-Mar-30 £'M	31-Mar-31 £'M
Unallocated Reserve	(9.491)	(9.330)	(9.265)	(9.234)	(9.234)	(9.234)
Other Non-Ring Fenced Reserves	(2.595)	(2.632)	(2.668)	(2.705)	(2.741)	(2.778)
Business Rates Retention Reserve	(12.790)	(11.402)	(10.902)	(10.902)	(10.902)	(10.902)
Renewals Reserve	(2.376)	(2.558)	(2.779)	(2.999)	(3.220)	(3.440)
Forecast Cumulative Deficit Funded From Reserves	+0.000	+1.280	+4.011	+8.479	+14.053	+18.774
<b>Balance carried forward</b>	<b>(27.252)</b>	<b>(24.642)</b>	<b>(21.603)</b>	<b>(17.361)</b>	<b>(12.044)</b>	<b>(7.580)</b>
Less Recommended Minimum Level of Balances	+5.000	+5.000	+5.000	+5.000	+5.000	+5.000
<b>Available Balances</b>	<b>(22.252)</b>	<b>(19.642)</b>	<b>(16.603)</b>	<b>(12.361)</b>	<b>(7.044)</b>	<b>(2.580)</b>

- 5.5 Whilst reserves can be used to manage the current financial crisis, as the tables clearly show, funding of the forecast deficits from reserves is **NOT** a viable option. Addressing the

underlying structural issues within the Council's budget requires significant interventions from Cabinet, Senior Leadership Team, and Council to address the forecast deficit levels.

## **6.0 OUTCOMES BASED RESOURCING (OBR) / FIT FOR THE FUTURE (FftF)**

- 6.1 The Council has embarked on a programme called Outcomes-Based Resourcing (OBR)/Fit for the Future (FftF) that will see it examine every area of its budget and match resources more closely with its priorities. The OBR/FftF programme includes looking at ways the council can do things differently by utilising technology and being more efficient, as well as considering areas in which it can generate more income.
- 6.2 The Council embarked on its OBR/FftF process in 2022/23, as set out in the Council Plan, with its intention to ensure that funds are allocated according to a set of predefined outcomes, or priorities to ensure that funds are directed toward the Council's key ambitions and statutory functions and away from areas which contribute less or not at all against the predetermined objectives.
- 6.3 The proposed actions through the OBR/FftF process currently include:
- Application of alternative funding to deliver key Council outcomes
  - Detailed review and sensitivity analysis on all key and significant income streams
  - Further rationalisation work on the Council's asset base
  - Expansion of the investment to reduce cost principle
  - The potential use of capital receipts to finance existing projects
  - Capitalisation of transformation costs where appropriate
  - Exploration of closer working and collaboration with other Councils, Public Sector Bodies and Partner Institutions
- 6.4 Given the size of the ongoing financial issues the Council faces this fundamental reshaping of the Council's services and realigning against its priorities through the OBR/FftF process will be key to shrinking the estimated budget gap and securing the financial sustainability of the Council going forward. It is imperative that the work, or similar principles, continues. Work is still ongoing across the Council to apply the OBR/FftF process and a further update will be provided within the January iteration of this report.
- 6.5 Cabinet and Senior Leadership Team have agreed on principles and common goals as they continue to work through the OBR/FftF process.
- We need to continue to tackle the structural deficit over the short, medium and long term
  - We need to use reserves carefully to transition
  - We want to continue to deliver services that residents/ businesses need and rely on
  - We want to achieve positive outcomes for our district
- 6.6 However, if these are not successful and the deficit is not closed, then balances will be required to make up the difference.

## **7.0 BALANCING THE BUDGET TO 2030/31**

- 7.1 A number of workshops have already been held between Cabinet and Senior Leadership Team to explore proposals from the OBR task groups and these will be ongoing throughout the budget process.
- 7.2 Savings were identified during the previous three budget processes which have contributed towards addressing the structural deficit. However, the continuation of the application of OBR across the Council is an ongoing and significant piece of work and will continue to have



a particularly important part to play in driving down budget gaps from 2026/27 to achieve a position of financial sustainability.

- 7.3 Capital proposals have been reviewed by Capital Assurance Group and passed on to Cabinet who have given an initial steer on which proposals they would like to see worked up further. This work is ongoing and the revenue impact of MRP and interest charges are included as indicative costs in the figures presented within this report.

## 8.0 LOCAL GOVERNMENT REORGANISATION

- 8.1 This report has been prepared on a 'business as usual' basis. The financial projections contained within it include no reference to local government reorganisation.
- 8.2 The Government is expected to lead a public consultation on the proposals early next year, with a preferred option selected in summer 2026.
- 8.3 If approved, elections for shadow authorities could take place in May 2027, with the new councils taking over all services from 1 April 2028 (vesting day).
- 8.4 Inevitably, this will have severe financial consequences for the Council however it is expected that partners will enter into the new council in the best financial health that is possible to achieve. Therefore, the discussion in section 7 must be reiterated and further work to address the structural deficit remains paramount.
- 8.5 During the time from now until vesting day, transitional costs falling upon the council will occur and these will need to be managed from within either the existing budget framework, the use of non-ringfenced reserves or by utilising capital receipts under the 'flexible use of capital receipts' policy where transformation can be demonstrated.

## 9.0 DETAILS OF CONSULTATION

- 9.1 Given the size of the challenges faced by the Council and the need for fundamental change in service delivery, enhanced consultation with relevant internal and external stakeholders on the budget will be undertaken prior to Budget Council in February. Consultation on council housing matters will be undertaken through the District Wide Tenants' Forum.

## 10.0 OPTIONS AND OPTIONS ANALYSIS

- 10.1 As the report is for consideration and alternative options are put forward, the Cabinet could make supplementary recommendations regarding any matters.

## 11.0 CONCLUSION

- 11.1 It must be reiterated that the current forecasts ***do not*** include any interventions by Cabinet, Senior Leadership Team or the outcomes of the Local Government Settlement. Whilst some savings have been delivered, the forecasts show that potential annual and cumulative budget deficits still remain over the next 5 years and continue to need to be addressed. In light of this, balancing the budget both in the short and the medium term remains a tough task and ***all Members must work together and recognise that they will face a number of difficult but key decisions as part of the forthcoming budget and over the coming financial years which will affect the manner in which it delivers its services.***

**RELATIONSHIP TO POLICY FRAMEWORK**

Performance, project, and resource monitoring provides a link between the Council Plan and operational achievement, by providing regular updates on the impact of operational initiatives against strategic aims.

**CONCLUSION OF IMPACT ASSESSMENT**

(including Diversity, Human Rights, Community Safety, Sustainability etc)

None identified at this stage

**FINANCIAL IMPLICATIONS**

As set out in the report

**SECTION 151 OFFICER'S COMMENTS**

The s151 Officer has authored this report and his comments are reflected within its contents however he would draw Members attention to the following commentary within the report.

It must be reiterated that the current forecasts ***do not*** include any interventions by Cabinet, Senior Leadership Team or the outcomes of the Local Government Settlement. However, the forecasts clearly highlight potential annual and cumulative budget deficits over the next 5 years and the perilous position the Council still faces, a position shared nationally across the public sector. In light of this, balancing the budget both in the short and the medium term will be a tough task and ***all Members must work together and recognise that they will face a number of difficult but key decisions as part of the forthcoming budget and over the coming financial years which will affect the manner in which it delivers its services.***

**LEGAL IMPLICATIONS**

No specific legal implications arising from this report.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no comments

**BACKGROUND PAPERS**

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