MTFP model update: short- and medium-term funding forecasts

First analysis of 2025-26 published accounts

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8 July 2026

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Overview

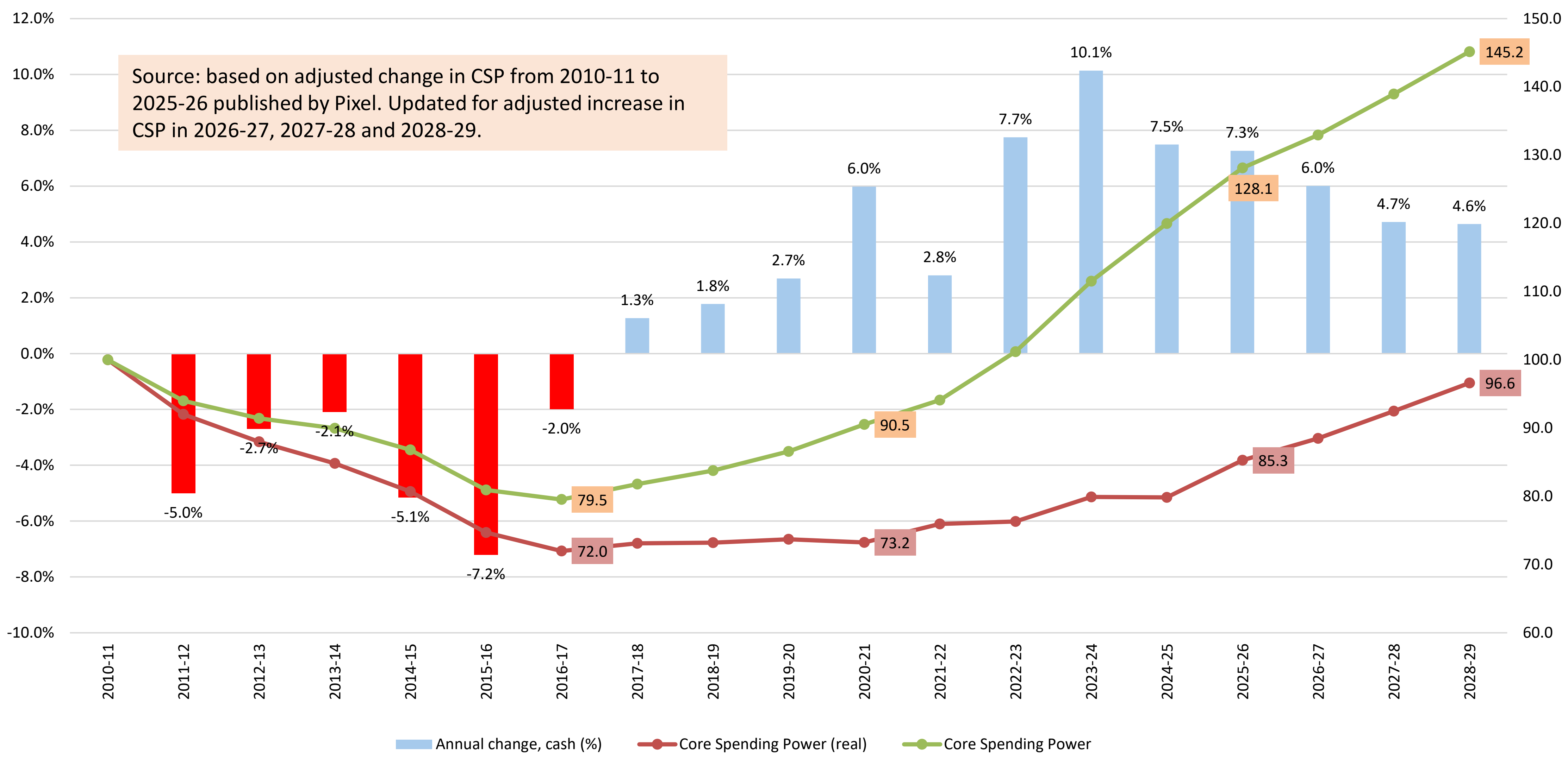
- Massive changes in funding distribution in 2026-27 (Fair Funding 2.0)
- A period of relatively certainty? What about the longer term?
- Updates to MTFP model in 2026-27 to 2028-29 – relatively limited
- Potential funding increases (e.g. SEND, ASC) plus impact of Budget 2026 and Spending Review 2027
- Longer-term forecasts – future funding resets (BR, ctax equalisation, “needs” shares) in 2029-30 and 2032-33
- Short update on new prime minister (Andy Burnham), based on the devolution speech (29 June 2026)

Short term funding forecasts

- Funding context – changes in CSP since 2010-11 (cash and real terms)
- Potential changes and assumptions for next 3 years (2026-27 to 2028-29)
- BR baseline adjustment (2026 Revaluation adjustment)
- Band D council tax thresholds
- Adjustment Support Grant
- Spending Review 2027 – potential adjustments to 2028-29?
- SEND funding
- Social care funding? Temporary Accommodation?
- **<u>Relatively limited range in funding scenarios – much less than we had in run-up to FFR 2.0</u>**
- Bulk of variation likely to be from local taxation assumptions – Band D, council taxbase, business rates growth (gross, appeals, bad debts)

Funding context

Chart 1 - Cumulative (nominal/ real) and annual change in CSP (%)



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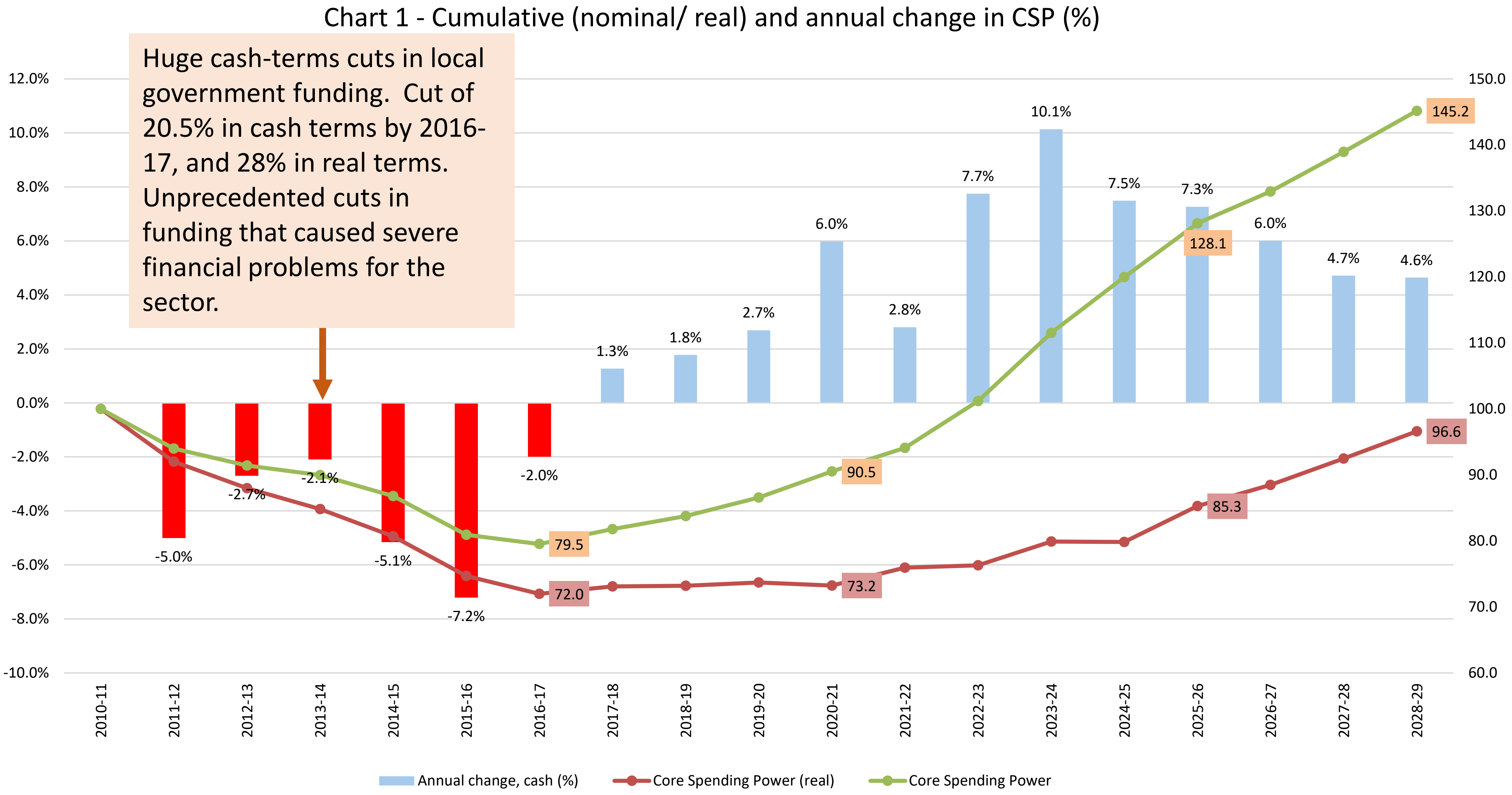
Funding context



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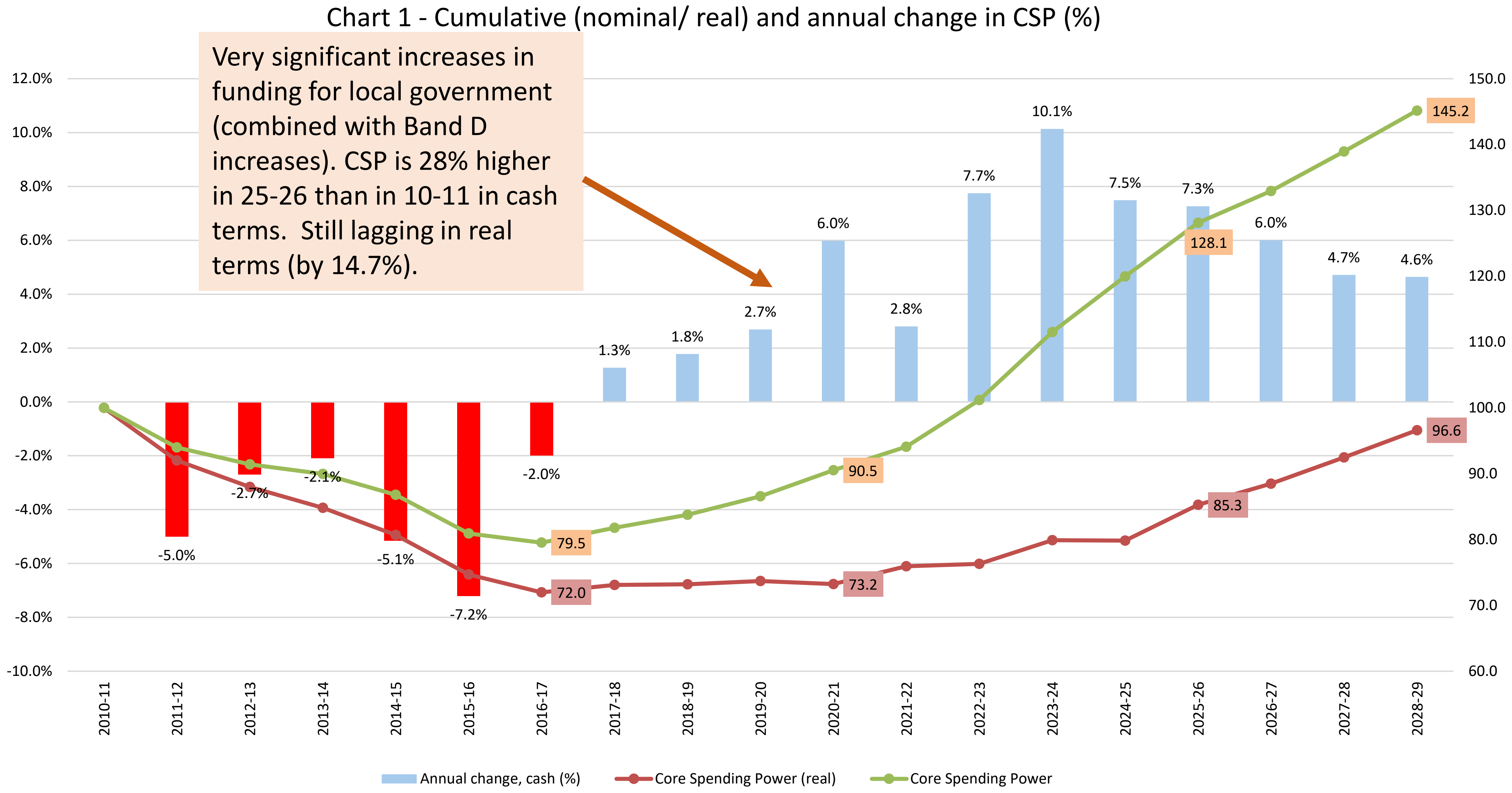
Funding context



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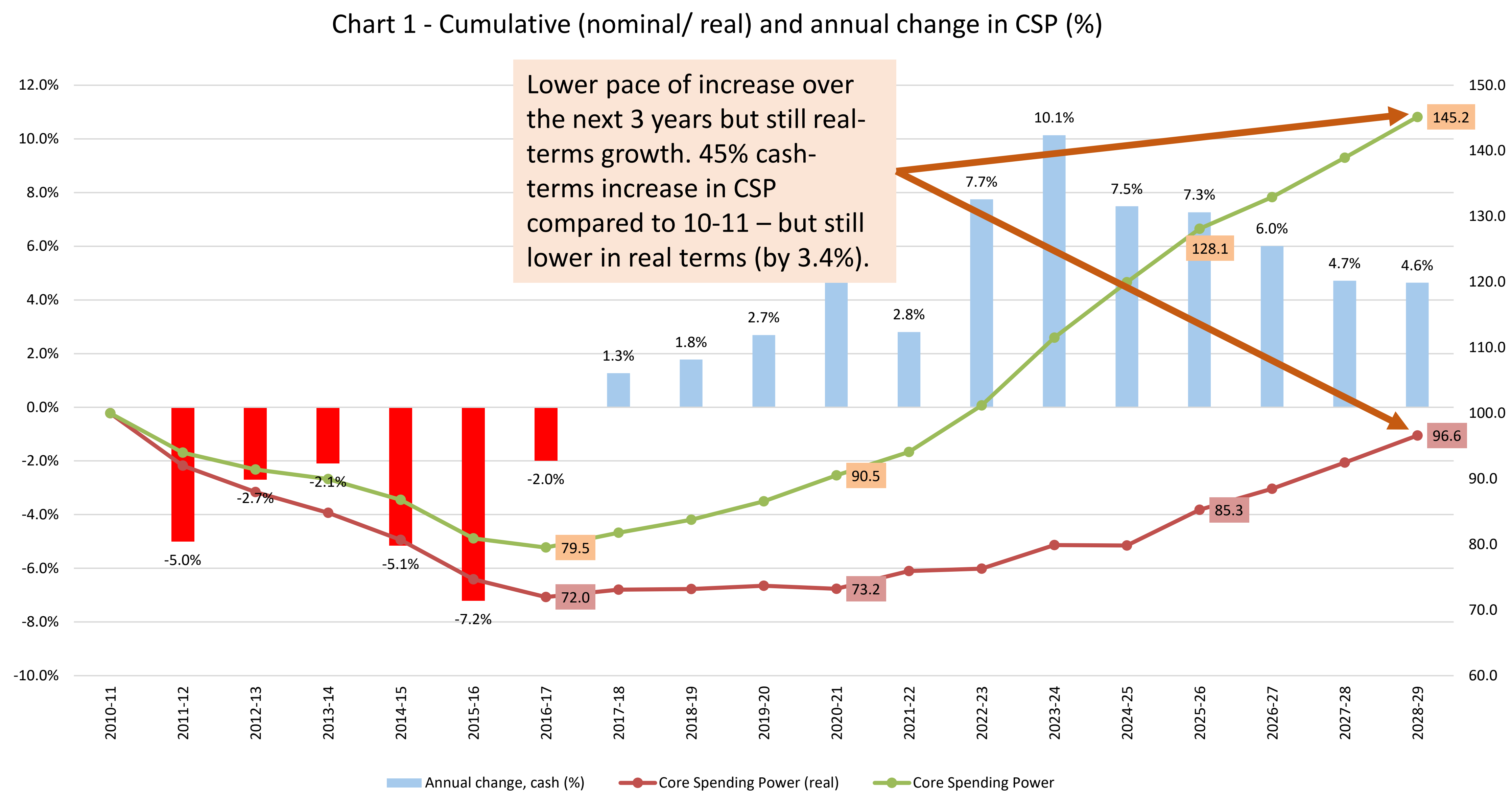
Funding context



Multi-year 3-year settlement

- Multi-year settlement will almost certainly remain unchanged for next 3 years (26-27, 27-28 and 28-29) – including Fair Funding Allocations (FFA) and to the allocations within the Consolidated Grants.

- Expect next 3 years to operate in a very similar way to the most-recent multi-year settlement (2016-17 to 2019-20), where core funding was fixed for 4 years.

- Any changes in funding during this period were additions to this core settlement – expect same for this multi-year settlement.

- Any future increases limited by fiscal squeeze (SR27).

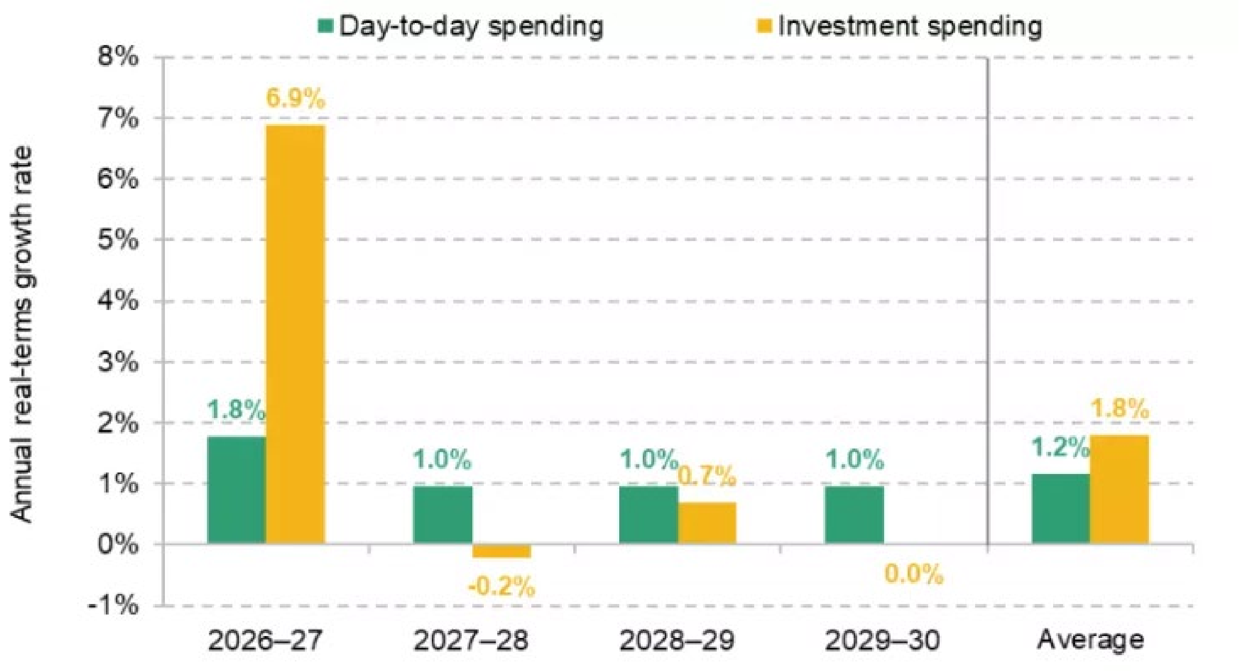
Spending Review 2027

- Spending allocations announced by the Chancellor in the 2025 spending review. See our briefing note, 11 June 2025 https://pixelfinancial.co.uk/subscriber-archive
- SR25 covered two financial years (2026-27 and 2027-28), and provided illustrative allocations for 2028-29.
- Next spending review is planned for 2027, and it will firm-up or amend the 2028-29 allocations, and then provide (we assume) allocations for 2029-30 and 2030-31.
- It is expected that this is the final spending review before the end of the parliament.
- Severe fiscal challenges for incoming prime minister (and chancellor) – and we do not know how they will resolve them.
- First formal indications in Budget 2027 (November 2026?).
- Fiscal squeeze towards end of parliament.

Squeeze on departmental spending plans

- **Spending plans are front-loaded:** lower growth in 27-28 and 28-29 compared to 26-27
- Available growth in departmental spending goes to NHS, defence and other priorities
- Chancellor can defer the decision to 2029-30 – but implies real-terms cuts in spending (except NHS and Defence)
- IFS concludes, “the most likely outcome is spending top-ups further down the line”
- Difficult to re-open SR25 allocations in 27-28 and 28-29 – but some paring back already to fund defence spending
- No changes to local government funding in 26-27 to 28-29 – but tight finances (a) make increases for specific pressures less easy and (b) puts downward pressure on 29-30

Figure 1. Planned annual real-terms growth rates in departmental spending, 2026–27 to 2029–30



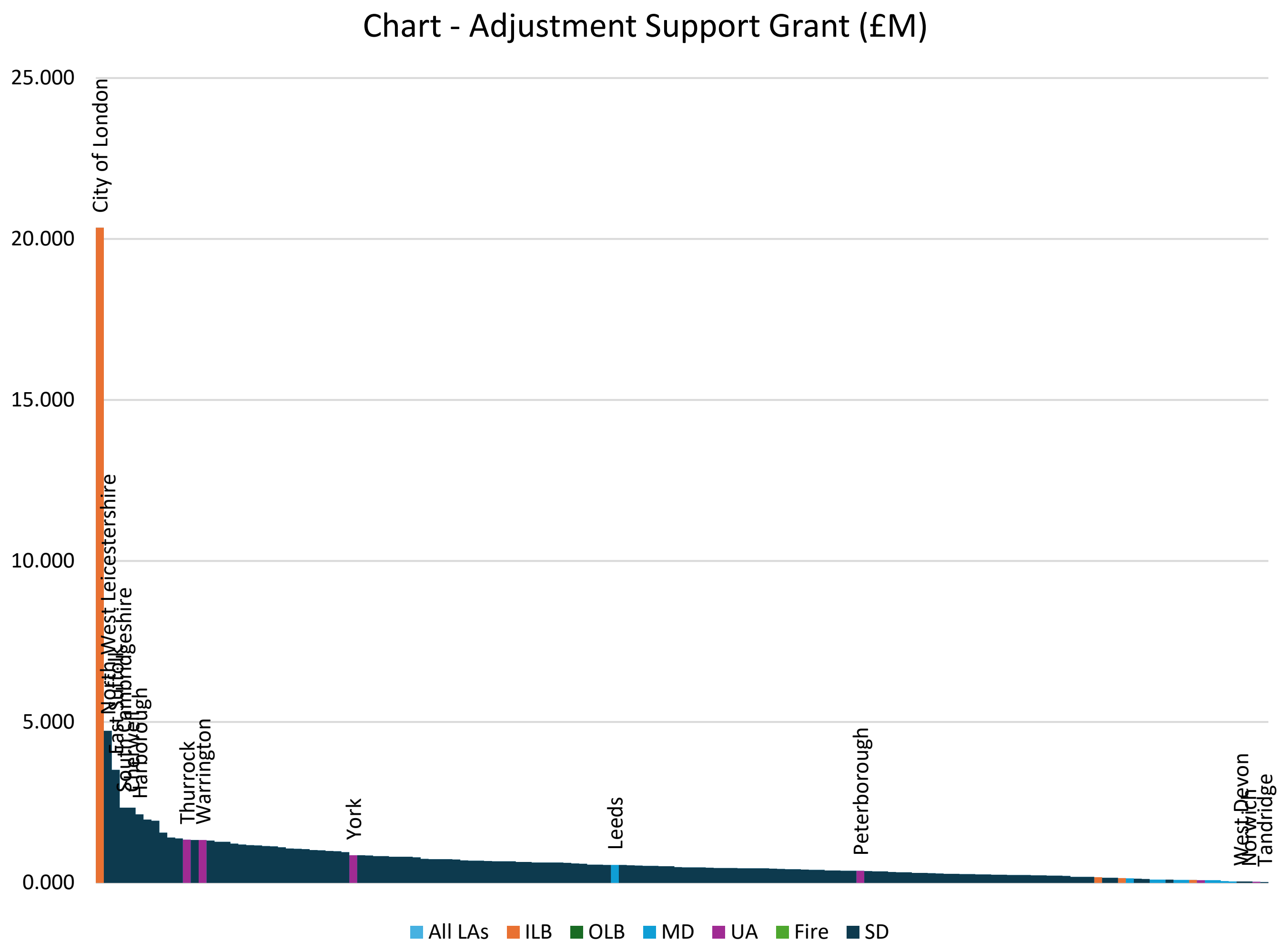
Note: HM Treasury measure of Resource DEL excluding depreciation and Capital DEL.
Source: Authors' calculations using Spending Review 2025 and GDP deflators September 2025.

Spending Review 2027

- **Council tax**. We assume that the thresholds for Band D will remain unchanged: 2.99% core increase, 2% ASC precept, with £5 maximums for shire districts and fire authorities. There is some potential for an increase in the £5 maximum to £10, but it is very unlikely that the core or ASC precept thresholds will change.
- **SFA/ FFA**. Planned increase in FFA is 2.86% in 2026-27, 1.39% in 2027-28, and 1.44% in 2028-29. Our view is that FFA will continue to increase at around 1.4% (a real-terms cut, if inflation is around its target rate of 2%). In our view, there is a likely potential range for future FFA increases between 0% and 2.5%.
- **Public Health grant**. Planned increase of 2.0% in each of 2027-28 and 208-29 for the main grant, and increases of 1.3% for the other elements within the consolidated grant. The average increase in PHG between 2020-21 and 2025-26 was 3.83%. We would expect PHG to increase by between 2.0% and 3.5% over the medium term (from 2029-30 onwards).
- **Homelessness, Rough Sleeping and Domestic Abuse Grant**. Planned increases of 2.0% and 1.8% in each of 2027-28 and 2028-29. Potential range of +1.5% and +2.5%.
- **Crisis and Resilience Fund**. Cash flat over the next 3 years and this is a reasonable assumption for the medium term.
- **Children, Families and Youth Grant**. Planned reductions of 0.82% in 2027-28 and 11.57% in 2028-29. What is the reason? We assume cash-flat for the medium term.

Adjustment Support Grant

- New grant to ensure no authority gets a reduction in CSP in 2026-27
- Changes in BR pooling roll-in would have reduced CSP substantially in final settlement compared to provisional
- Ministers decided that this would not have been tenable – and have allocated one-off funding
- Payments are calculated <u>before</u> any increase in Homelessness, Rough Sleeping and Domestic Abuse grant, and the Recovery Grant Uplift
- Changes in funding floor payments are taken into account

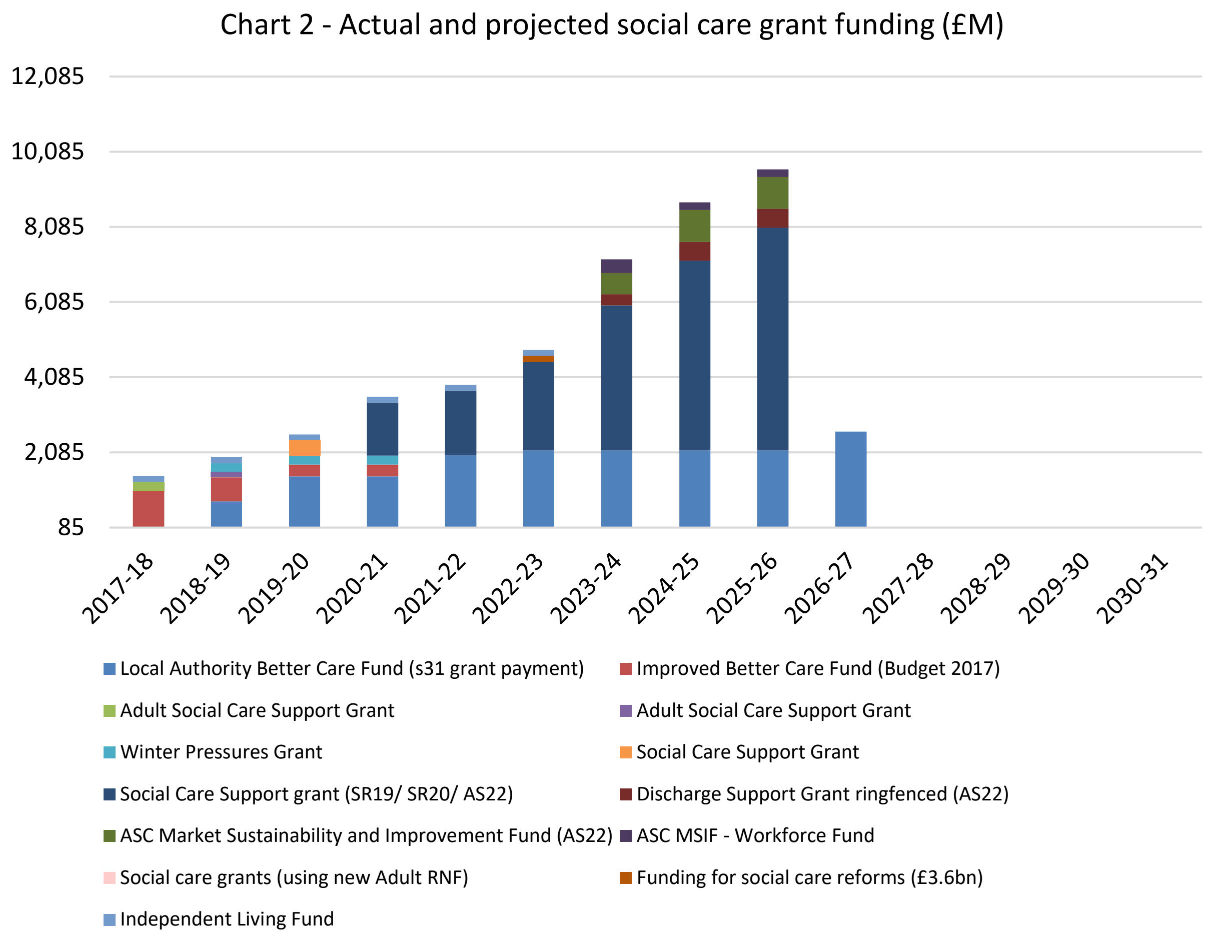


Adjustment Support Grant

- Introduced in final settlement (February 2026) to ensure no authority received less CSP in final settlement than they had in provisional settlement.
- Addressed correction to the way retained business rates growth had been rolled-into FFA (all the pooling gains were allocated to tariff authorities and not shared with top-up authorities).
- Grant payments of £114.5m were made to 135 authorities in 2026-27. For some authorities the amounts were very significant (East Suffolk £3.5m, NW Leicestershire £4.7m, South Cambridgeshire £2.3m).
- Unlikely to continue for three reasons:
- *Authorities now have sufficient time to adjust to reductions in funding in 2027-28*
- *Many authorities receiving ASG are already going to have a cliff-edge in 2028-29, and continuing ASG will just make this worse*
- *Original adjustment in the provisional settlement was incorrect, and the "correct" adjustment should be applied in 2027-29.*
- If continued, overall amounts are relatively small (reduce to only £84.0m in 2028-29 and £74.9m in 2029-30).

Future additional funding for ASC?

- Significant increase since 2017-18
- Future increases on that scale very unlikely indeed
- Previous assumptions were £500m every year
- Future growth in funding more likely for SEND



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SEND – High Needs Deficit Grant

- OBR estimated that government faced spending pressure of £6.3bn for SEND in 2028-29
- Increased DEL for SEND in Budget 2025 (an additional £4.1bn)
- clearly some of the pressures remain unfunded, and reliant on reducing demand
- We estimated deficit of £5.5bn to end of 2025-26, and that the deficit could rise by £2.5bn to £3bn per year
- Latest forecasts suggests already higher than this (~£6.5bn for 2025-26)
- The High Needs Deficit Grant will cover 90% of the deficit as at 31 March 2026 – and we assume pressures will require ongoing support from the Treasury, even if not at 90%.
- Without reform to the SEND system, the cost of underwriting the local authority overspends could easily exceed the £9.9bn grant funding that was in place for social care in 2025-26.
- We have not included SEND funding within the MTFP model because it is based on actual overspends (and DSG deficits) rather than on funding formulas

BR baseline reset (adjustment for 2026-27)

- MHCLG will be updating the Business Rates Baselines (BRB) in the 2027-28 settlement, with an adjustment to 2026-27 BRB (and thereby top-ups and tariffs).
- Published in 2027-28 provisional local government finance settlement, but will be applied to 2026-27 financial year.
- *Update using final rateable values to update the 2026-27 BRB and the restated BRB will then be used as the basis for the 2027-28 and 2028-29 BRBs.*
- *Apply same assumptions for bad debts (0.60%) and appeals (3.75%) to revised gross rates amounts.*
- *Billing authorities will be asked to provide updated data on Designated Areas (DA) and renewable energy.*
- Consultation and data requests will be issued later in July 2026 (MHCLG asking for authorities to complete, including discretionary data request)
- We have asked for the final rateable value dataset to be released so that we can update the MTFP model and calculate BRB adjustment (excl DA and renewable energy adjustments).
- Model currently works on the basis of NNDR1 2026-27 (most authorities close to baseline in 2026-27 but there are some significant variances in places)

Medium- to long-term funding forecasts

- Funding Distribution – SFA/ FFA
- Funding distribution – other grants (PHG, consolidated grants)
- Recovery Grant
- Strategy on funding distribution – more detail later in the Summer
- BR baseline reset
- Cliff edge in 2028-29
- Transitional Support (damping)
- **Overall funding forecast scenarios – even looking further ahead, the range of funding scenarios is relatively limited**

Funding distribution

- Assume next funding updates will be in 2029-30 2032-33, i.e. every 3 years
- Regular funding updates, incorporating both a BR baseline reset and some form of Fair Funding Review (FFR)
- More frequent updates will result in less change and make updates easier to forecast
- Refresh "needs" assessments using population projections (2022-based) and update council tax deductions (based on forecast council tax income)
- Scope for making major changes in Relative Needs Formulas (RNFs) is limited (see later slide)
- We have not updated the control totals or RNF weightings.
- Impact of updating population and council tax assumptions is not very clear-cut: inner London gains in share (population growth), as do shire districts (low share of council tax equalisation), whilst county councils lose share (council tax equalisation)
- Other grants – only likely option is for new formula for Public Health Grant (from 2016)

Recovery Grant

- Recovery grant (£600m) is confirmed for the next 3 years (to 2028-29) – plus RG Guarantee and RG Uplift
- Assume grant will end at that point and roll into FFA in 2029-30 (and be distributed using FFA formulas)
- Alternative is a further continuation of the RG distribution (unlikely)
- But Recovery Grant directed funding very effectively towards authorities with high levels of deprivation in FFR 2.0 – and ministers struggled to find alternative basis of distribution that was as effective
- Could a new FFR deliver a similar outcome?

Future strategy on funding distribution

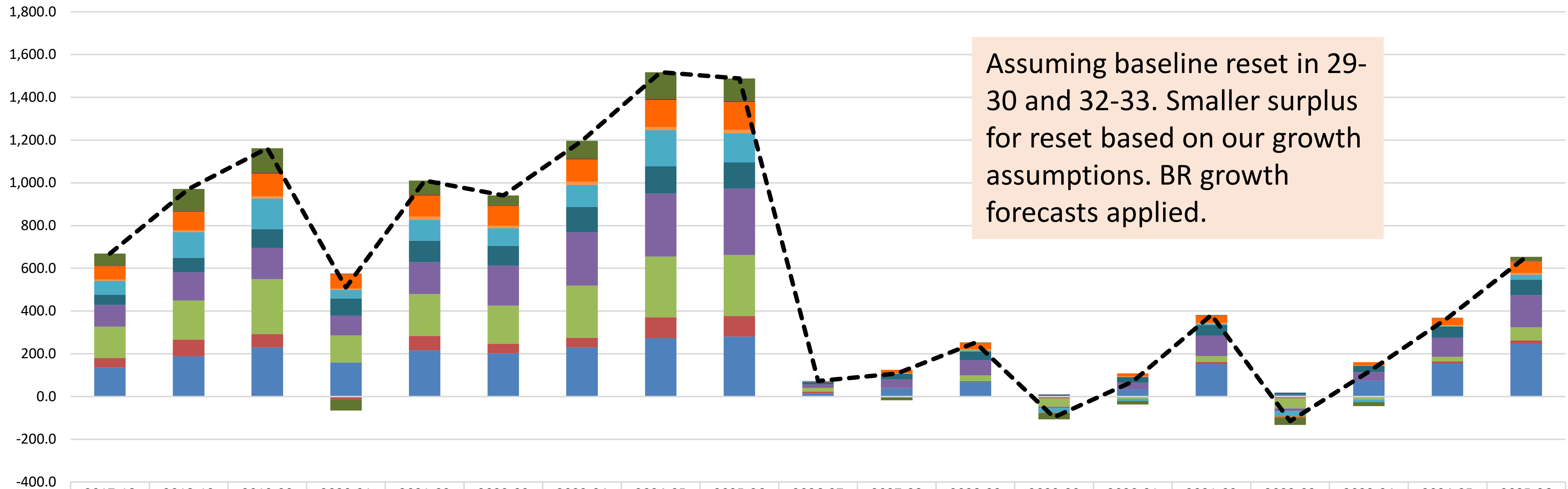
- Scope for making significant changes in Relative Needs Formulas (RNFs) is now limited, with FFR 2.0 settling the major formulas.
- We will update our Fair Funding model to explore potential changes and their impact later in the Summer.
- Formulas for **children's and adult social care RNFs** are now essentially settled. There is a question about the use of pre- or post-housing IMD 2025.
- There is some room for a further review of **Foundation Formula** (visitor data, weighting for deprivation) but this is also limited.
- Other RNFs are relatively small, but there is some scope for change (**Home-to-School Transport, Temporary Accommodation, Highways Maintenance**).
- **Fire RNF** is the main RNF that has not yet been reviewed, and many fire authorities (or authorities with fire functions) will support a full formula review.
- Also difficult to substantially shift the assumption of full **council tax equalisation**

BR baseline reset (2029-30, etc)

- Always expected full baseline reset in when the Fair Funding Review was implemented – had been consistent policy from governments since 2013-14
- Expectation had been that there would be regular, partial resets following that. MHCLG will undertake consultation on future resets later in the year.
- Assumed that they will use the same format at the 2026-27 full reset, but that only 50% of growth will be reset (and that those below baseline will be brought fully up to their new baseline). You can choose to select a full or partial reset (25%, 50%, 75%).
- Roll surplus into SFA/ FFA – principle confirmed in FFR 2.0
- Amounts will be smaller in future years if resets are (a) more frequent and (b) partial

Business rates baseline reset (2029-30, 2032-33)

Chart 4 - Retained Business Rates above baseline (£M) - England



	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
GLA	55.1	103.3	113.2	-50.9	66.2	45.2	82.1	124.2	104.1	0.0	-13.0	0.5	-30.2	-15.7	2.6	-34.9	-17.8	-0.7	19.7
MF	3.1	3.9	5.4	2.7	4.1	3.7	5.0	5.8	5.9	0.2	-0.1	0.5	-0.8	-0.2	0.5	-1.0	-0.3	0.4	1.2
SC	62.4	86.5	105.7	66.4	98.7	92.3	103.9	126.4	130.4	3.5	15.6	30.6	-1.0	15.0	33.4	-4.3	14.4	33.8	55.2
CFA	6.4	8.9	10.7	7.6	13.9	11.9	15.8	14.8	15.6	0.6	2.7	4.7	0.3	2.5	5.0	-0.2	2.4	5.0	7.9
ILB	65.1	120.0	143.3	40.2	99.6	82.6	103.3	169.3	136.0	0.1	-3.7	5.0	-20.8	-10.0	5.0	-24.8	-12.2	2.1	22.1
UA - CCN	48.7	66.8	86.5	80.1	99.7	92.1	117.6	127.1	123.1	11.2	26.2	41.2	9.4	25.2	50.3	9.6	29.8	50.7	73.4
UA	100.3	132.7	146.7	92.4	148.7	187.1	249.6	295.2	309.9	16.3	41.0	71.4	-6.2	30.7	95.8	-12.1	38.5	90.9	150.0
MD	146.9	183.0	257.1	126.9	195.9	178.4	244.3	283.8	286.7	17.8	-0.3	25.9	-38.8	-9.1	27.7	-48.4	-13.8	21.3	60.5
OLB	44.6	78.7	62.8	-14.6	68.2	45.1	45.6	97.9	95.3	7.9	0.8	3.6	-7.8	-2.2	8.8	-7.2	0.5	8.2	17.3
SD	136.4	188.1	230.0	159.1	216.0	202.2	229.2	273.0	280.9	14.9	39.0	69.0	-1.3	35.1	152.8	8.5	75.0	156.0	246.2
England	668.9	971.9	1,161.4	509.9	1,011.1	940.7	1,196.3	1,517.6	1,488.0	72.5	108.1	252.4	-97.3	71.3	382.0	-114.9	116.4	367.8	653.5

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Transitional Support – current regime

- **Phasing of FFA changes**. Changes in FFA are being applied in thirds across the 2026-27 through to 2028-29. Authorities will receive their full FFA allocation in 2028-29, with no phasing.

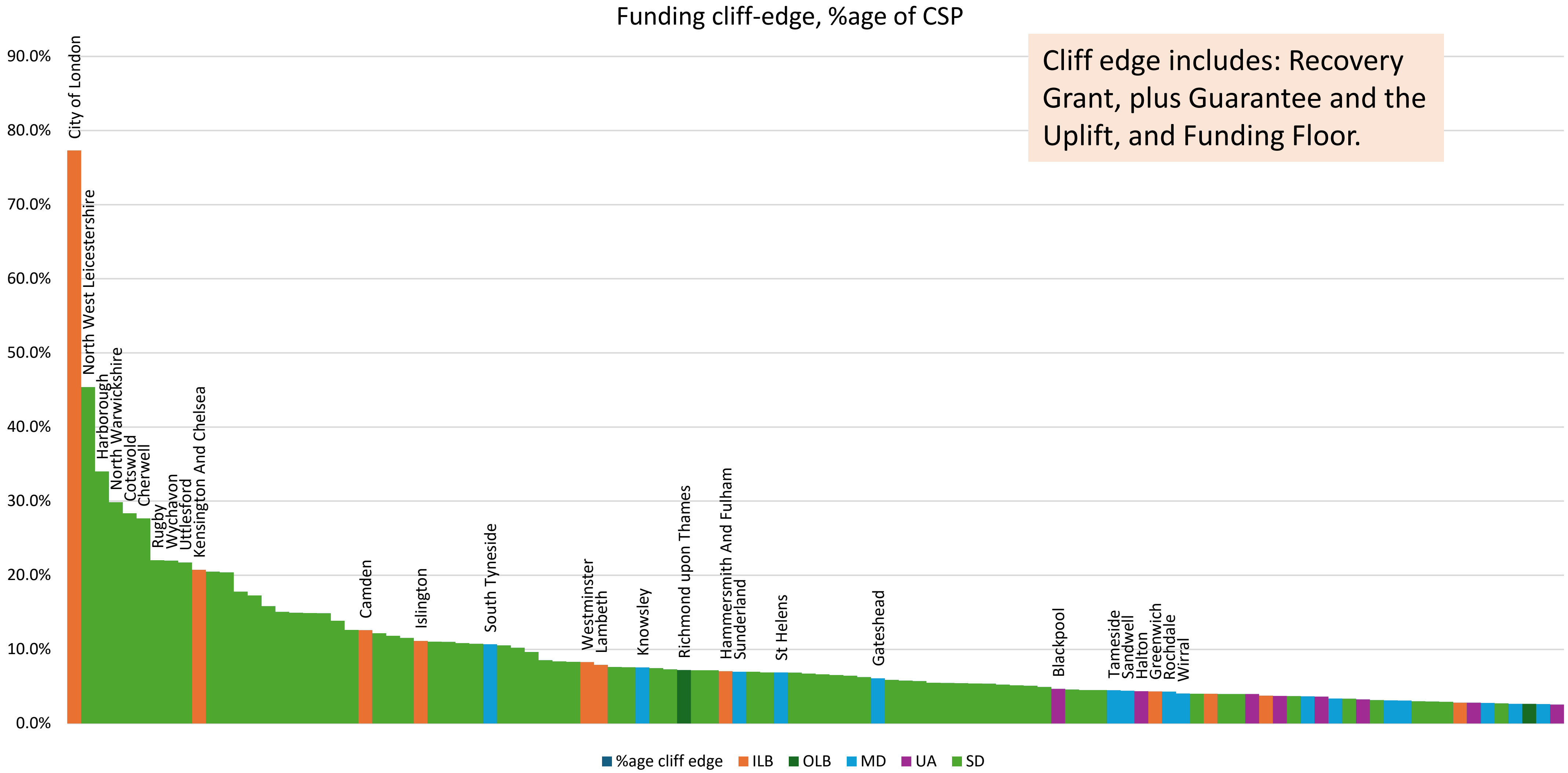
- **Funding floor**. A funding floor of 95% for local authorities and 100% for fire authorities was applied in 2026-27 (and then continued at 100% into 2027-28 and 2028-29). The cost of the funding floor increases over the multi-year settlement (£134m in 2026-27, £272m in 2028-29, £448m in 2029-30), as the floor compensates many authorities for the phasing-in of FFA changes.

- **Recovery Grant Guarantee and Uplift**. Recovery Grant Uplift is to target additional funding towards upper-tier councils that would otherwise receive a less than 17% funding increase over the multi-year Settlement period. Recovery Grant Guarantee is to ensure that upper-tier councils in receipt of the Recovery Grant receive at least a real-terms funding increase over the next 3 years, with payments capped at £35 million per council.

- **Adjustment Support Grant**. Introduced in the final settlement, this grant ensures that no authority has a reduction in CSP between the provisional and final settlements. It was introduced to offset the impact of the correction to the roll-in of BR growth in 2026-27. It is only payable in 2026-27.

- Results in very significant **cliff-edge** in funding for many authorities – so ongoing transitional support is going to be necessary, even without any future changes in funding distribution/ resets

Cliff-edge in 2028-29, %age of CSP



Cliff edge includes: Recovery Grant, plus Guarantee and the Uplift, and Funding Floor.

Future transitional support (damping)

- Simple transitional regime in MTFP model from 2029-30 onwards:

- *Floor is applied to an authority's total resources (FFA + grants + council tax + funding floor 29-30). Our methodology includes the impact of resetting the BR baselines (excluding the impact of pooling or pilots).*

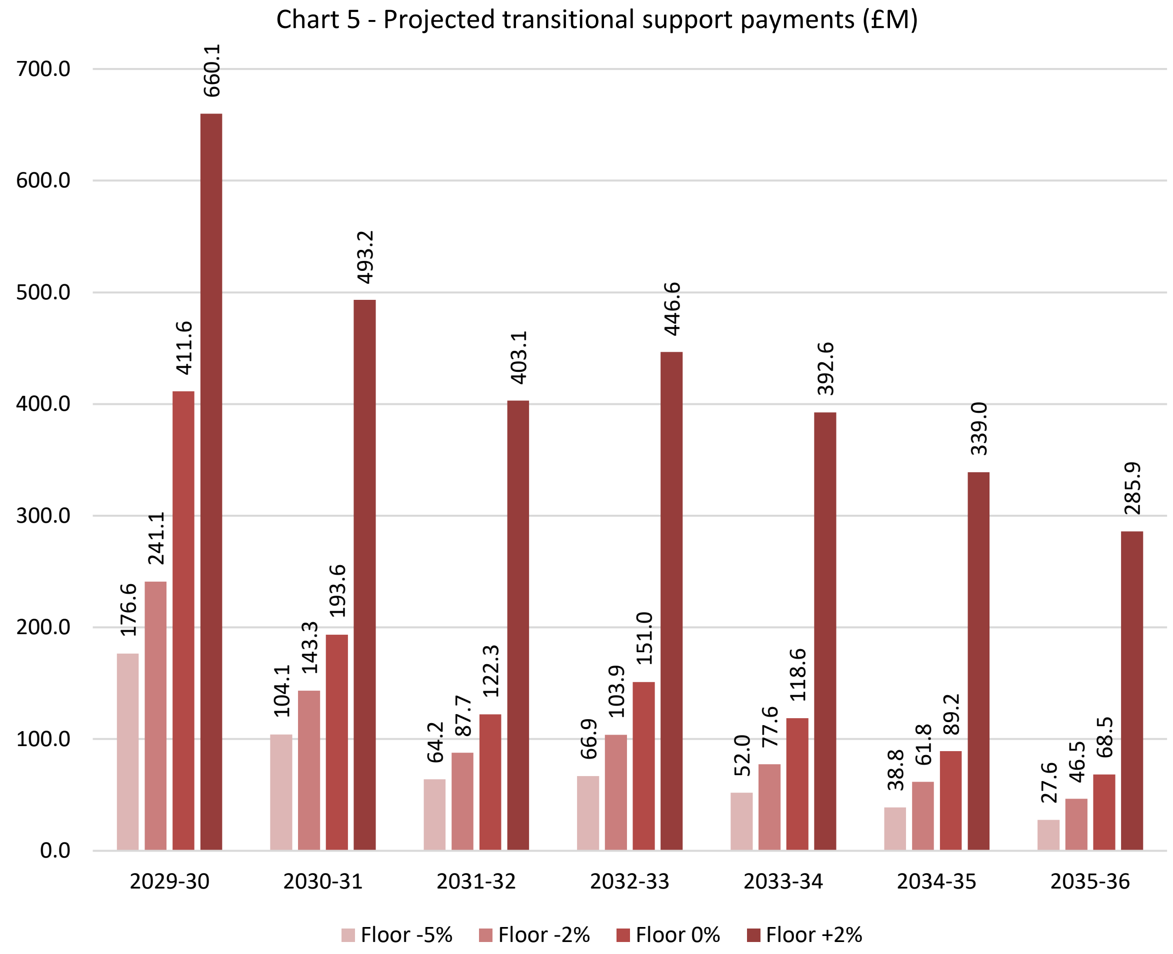
- *Floor ranges from -10% through to +2%. Our default setting is -5% (similar to the funding floor in 2026-27) but applied in every year over the period, not just the first year.*

- *Transitional support is paid for by scaling back the funding increases of other authorities. (Funding floors were paid-for in Fair Funding 2.0 via a top-slice.)*

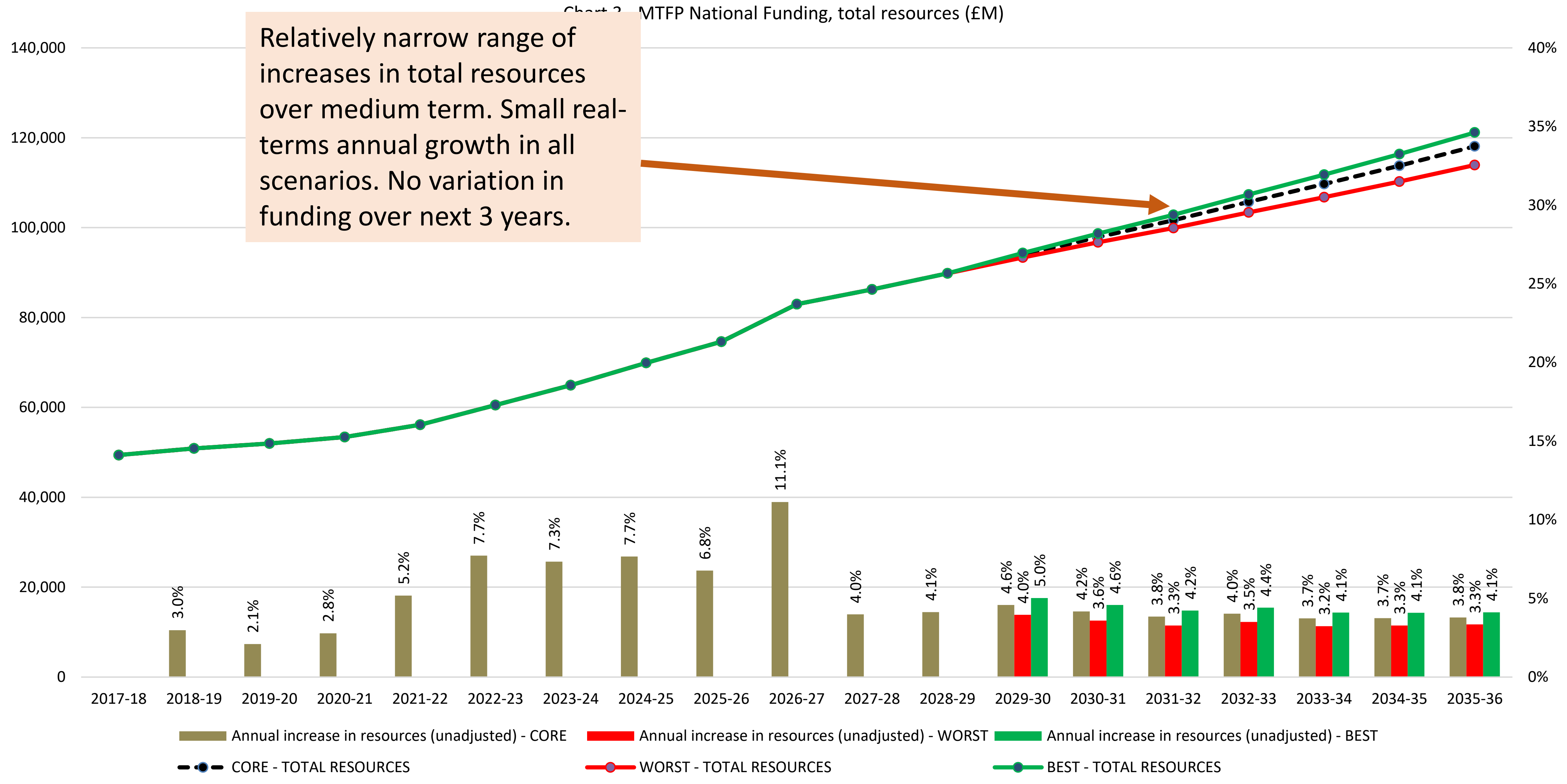
- *Transitional support takes into account future funding updates and BR resets (in 2029-30 and 2032-33).*

- To phase-out funding floor payments within a reasonable time-frame (3-5 years), funding floor has to be less than 0% in each year of the period

- With -5% floor, it is only shire districts receiving damping



Medium- to long-term funding forecasts



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A new prime minister…

- More devolution, more powers to local authorities, potentially new taxes as well. But not sure about fiscal choices/ public spending, the form of devolution, and regional funding distribution. Full speech from Andy Burnham, 29 June 2026: https://www.manchestereveningnews.co.uk/news/uk-news/andy-burnhams-speech-full-promises-34203926

- **Devolution of funding streams and powers**. "the days of Whitehall fighting the devolution of power to the regions and nations are over, for good". "biggest rebalancing of power our country has seen". E.g. employment support.

- "**sound public finances** … discipline of our current fiscal rules". Limits scope for additional funding or extensive borrowing for investment.

- **Funding re-distribution between regions**. German Basic Law? Change in funding formulas?

- "Biggest **council house building** programme". Likely to be additional resources for Housing Revenue Accounts, and greater powers to borrow.

- Reform of **business rates** – immediately reducing high-street RVs and increasing on out-of-town distribution. Report of £800m cost. Likely widening of **100% BR pilots** to all MCAs.

- **Tax-raising powers**. https://commonslibrary.parliament.uk/research-briefings/cbp-10937/

- **Investment** for infrastructure funded using "Crossrail-type" investment arrangements (supplementary BR, TIF)

- **Reform of council tax and Stamp Duty Land Tax** – replace with property tax (seen valuations of between 0.45% and 1.0%) – continues as a local property tax but implies very significant shift from places with low to high property values. If adopted, not likely until 2029-30 (valuing properties will be a huge task) – but could work within local government finance system.

- Question about how powers and funding are **allocated between mayors, mayoral combined authorities, and local authorities** (Burnham uses both mayors and local authorities in his speech)

Changes to the MTFP model

- **Extended years (to 2035-36).** In the MTFP tab and in all the supporting tabs and data. Whilst retaining sufficient data for all financial years going back to 2017-18.
- **"LA Aggregates" tab**. Change the formatting so that each financial year is shown together.
- **Baseline reset and funding updates in 2029-30 and in 2032-33**. Partial reset options based on the 2026-27 reset. Update population and taxbase within existing FFA structure.
- **Transitional support and damping**.
- We have kept a **separate Recovery Grant calculation** tab because this continues to be an important grant.
- **Removed all supporting NHB calculations and the "Returned NHB" tab**. Now finished, and not likely to return. All calculations and supporting information can be seen in previous versions of the MTFP model.

Assumptions and scenarios for MTFP model

Variables	Variable type	Scenario 1 ("default")	Alternative assumption
Council tax - taxbase pre-CTS	Local forecast	4-year average	+0.5%
Council tax - CTS	Local forecast	CTS - current level	+0.5%
Council tax - collection rate	Local forecast	Collection - current level	+0.5%
Business rates - Gross rates	Local forecast	Current (Individual Authority)	+0.5%
Business rates - Bad debts	Local forecast	Bad debts - current level	
Business rates - Appeals/ refunds	Local forecast	Appeals - current level	
Council tax Band D	Local decision	Current thresholds (max)	Freeze
Council tax Band D - fire and district	Local decision	£5	£10
Social care grants - growth from 2026-27 onwards (£M)	System assumption - funding allocations	0	500
SFA/ FFA	System assumption - funding allocations	1.5%	0.0%
Public health grant - growth	System assumption - funding allocations	2.0%	0.0%
Homelessness, Rough Sleeping and Domestic Abuse Grant	System assumption - funding allocations	2.0%	0.0%
Public Health Grant	System assumption - funding allocations	1.5%	0.0%
Crisis and Resilience Fund	System assumption - funding allocations	0.0%	0.5%
Children, Families and Youth Grant	System assumption - funding allocations	0.0%	0.5%
Adjustment Support Grant		Discontinue in 27-28	Continue in 27-28
Levy account		tbc	tbc
Internal Drainage Board payments		Continue	
Public health grant - distribution	System assumption - funding distribution	Current PHG distribution	New PHG distribution
Fair Funding Review - in 2029-30 and 2032-33	System assumption - funding distribution	Revised SFA/ FFA distribution	Continue SFA/ FFA distribution
Recovery Grant		Re-distribute Recovery Grant	Continue Recovery Grant
Damping assumptions	System assumption - funding distribution	-5.0%	-7.5%
Business rates baseline reset - full, partial	System assumption - funding distribution	50.0%	100.0%
Safety net	System assumption - funding distribution	n/a	n/a
Cap compensation (CPI/ RPI)	System assumption - funding distribution	n/a	n/a
Multiplier freeze - in 2025-26	System assumption - funding distribution	n/a	n/a

MTFP model – analysis by local authority class

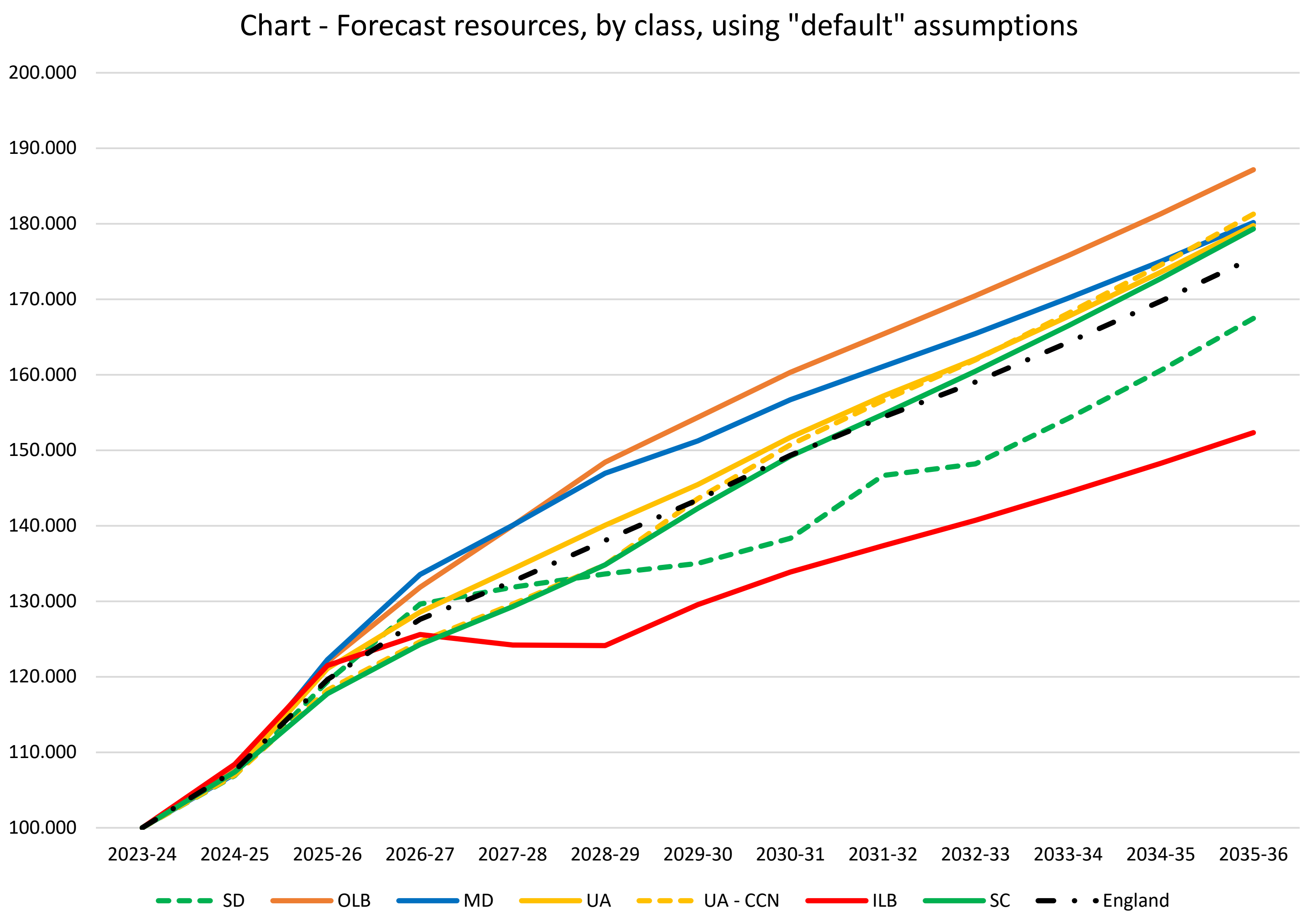
- **Inner London** is the major loser from FFR2.0 – resources start to increase again in cash terms but gap with other classes not closed

- **Shire districts** have below-average increases in resources but are affected by BR resets and (for some) damping arrangements

- **Outer London** continues to be the best performing class (as it was in FFR2.0).

- **Metropolitan authorities** move closer to the national average, possibly because of the cliff-edge (short-term) and below-average population growth.

- **County authorities** increase by more than average, because of population growth and council tax income.



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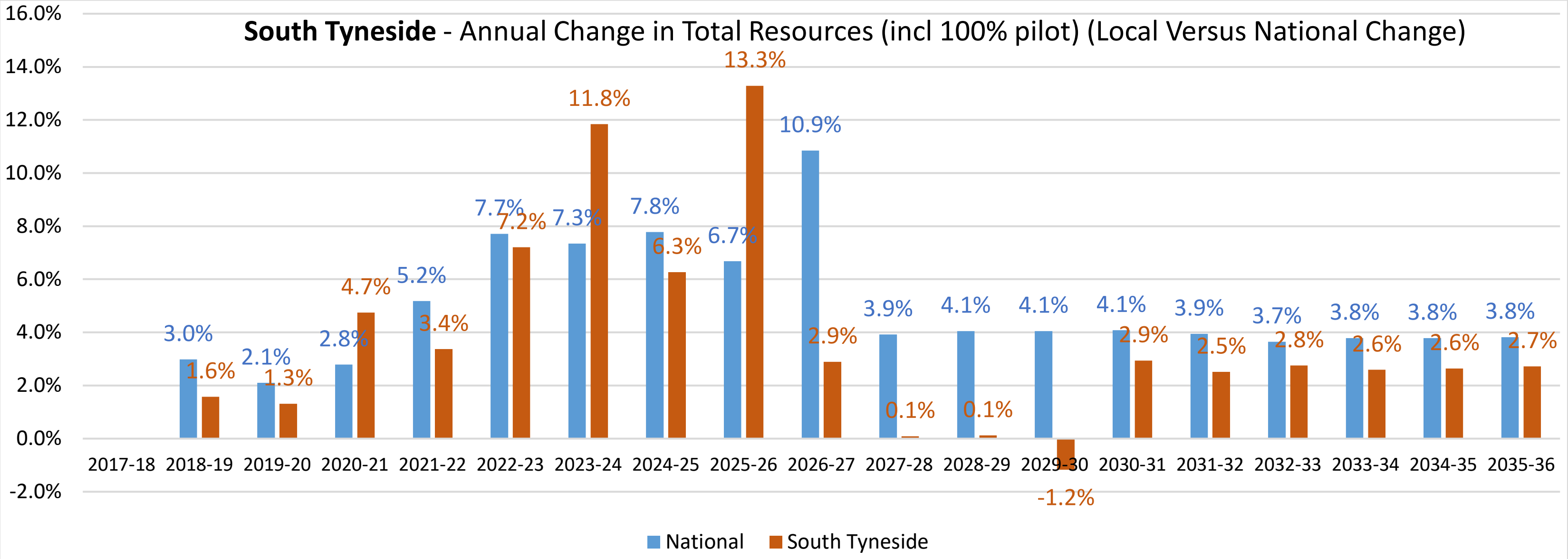
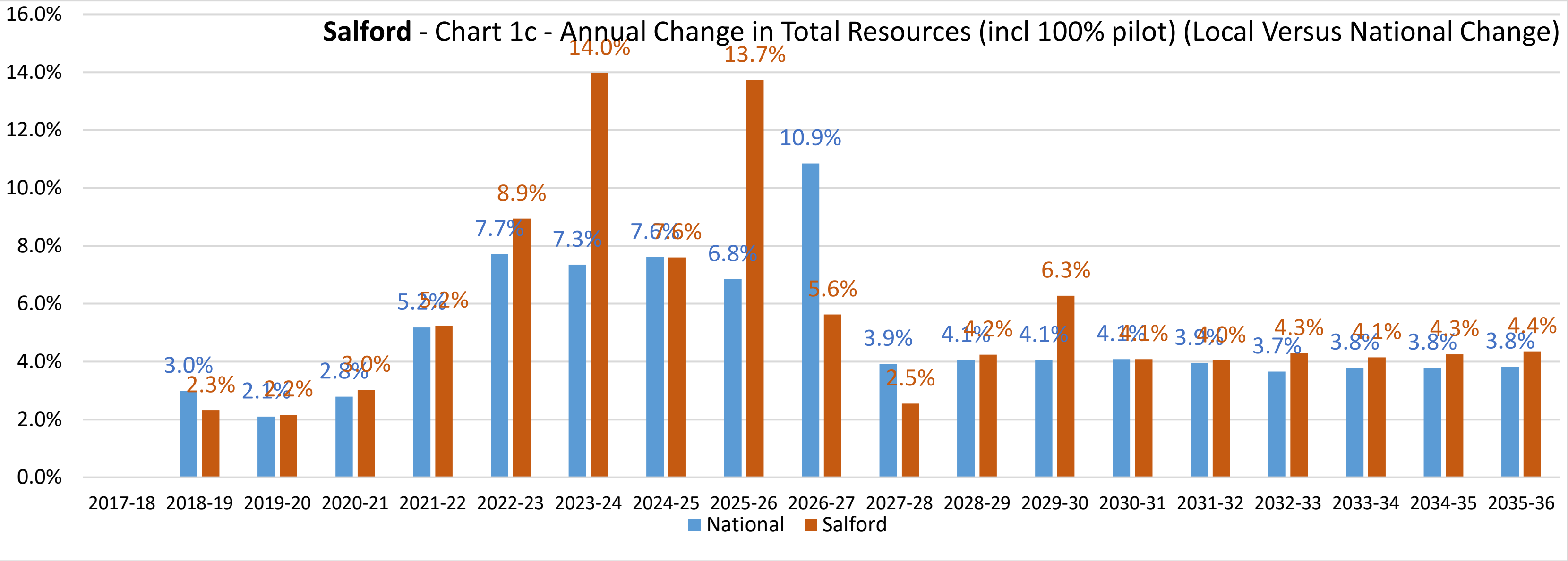
MTFP model – selected projections

- Metropolitan authorities broadly gained from FFR2.0 – but this was not consistent, and future prospects vary considerably
- South Tyneside – reliant on RG uplift and guarantee over 26-27 to 28-29, results in cliff-edge in 29-30, below-average growth over longer term (taxbase)
- Salford – below-average increases from FFR2.0, but gains in 29-30 (population growth) and then above-average over longer-term (taxbase growth)





Assumptions and scenarios for MTFP model

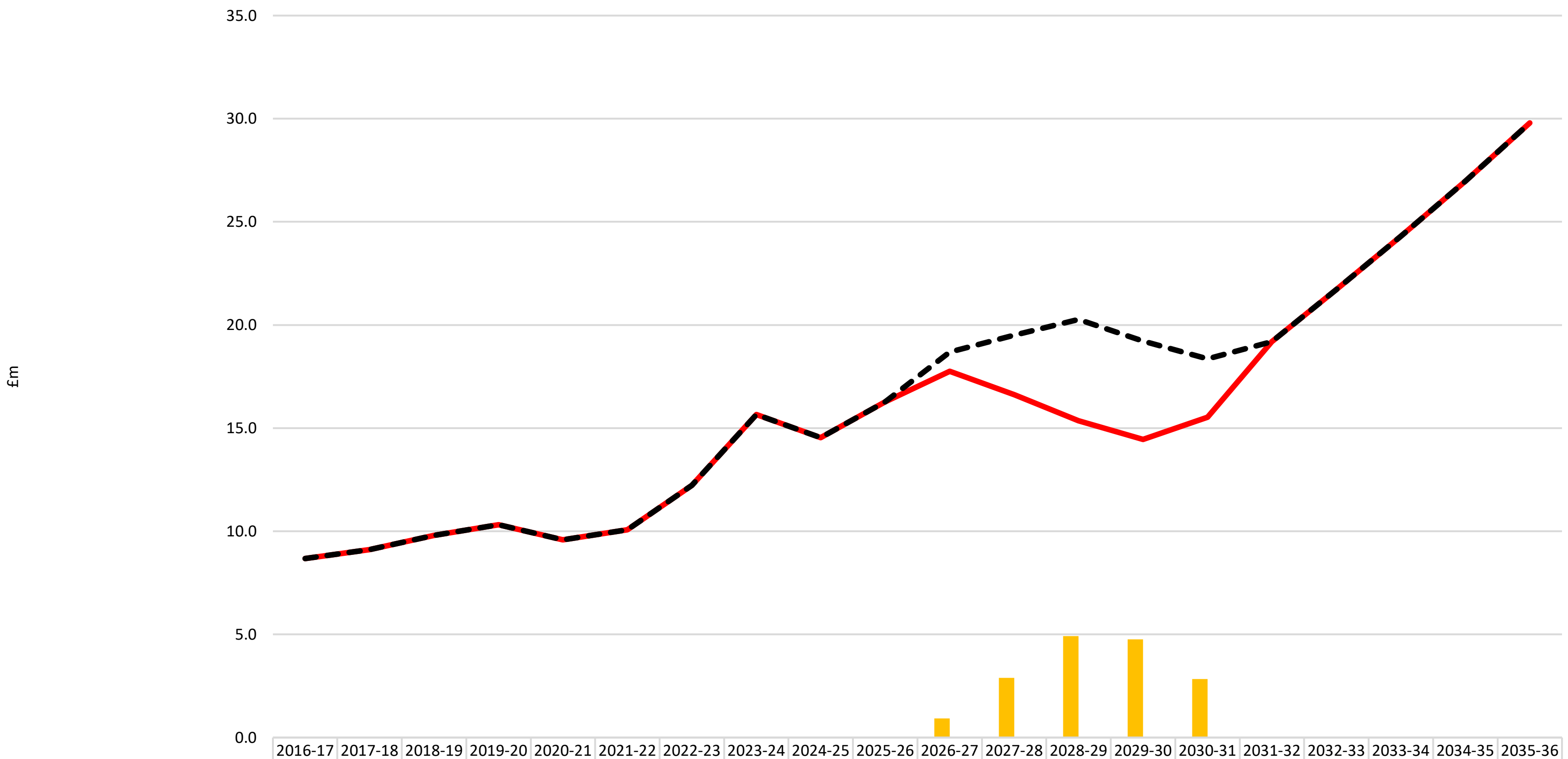
- Variation within shire districts is much more considerable because of (a) scale of BR growth and (b) gains from Temporary Accommodation

- North Warwickshire – very high growth authority impacted by BR reset. Increasing transitional support during multi-year settlement. Damping in 29-30 and 30-31, depending on assumptions.

- For shire districts with high BR growth, assumptions around transitional support essential (short or long transition).

- Future growth (and impact of partial resets) also very important.

North Warwickshire - Chart 1e - Total Resources (Damped and Undamped)



	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36
Funding Floor (95%, 100%)											0.932	2.894	4.917	4.763	2.831	0.000	0.000	0.000	0.000	0.000
Scaling back to fund damping														0.000	0.000					
TOTAL RESOURCES	8.679	9.108	9.795	10.315	9.585	10.079	12.233	15.659	14.542	16.279	17.761	16.619	15.357	14.453	15.526	19.189	21.723	24.308	26.980	29.796
POST-DAMPING TOTAL RESOURCES	8.679	9.108	9.795	10.315	9.585	10.079	12.233	15.659	14.542	16.279	18.693	19.513	20.273	19.216	18.357	19.185	21.719	24.304	26.976	29.793

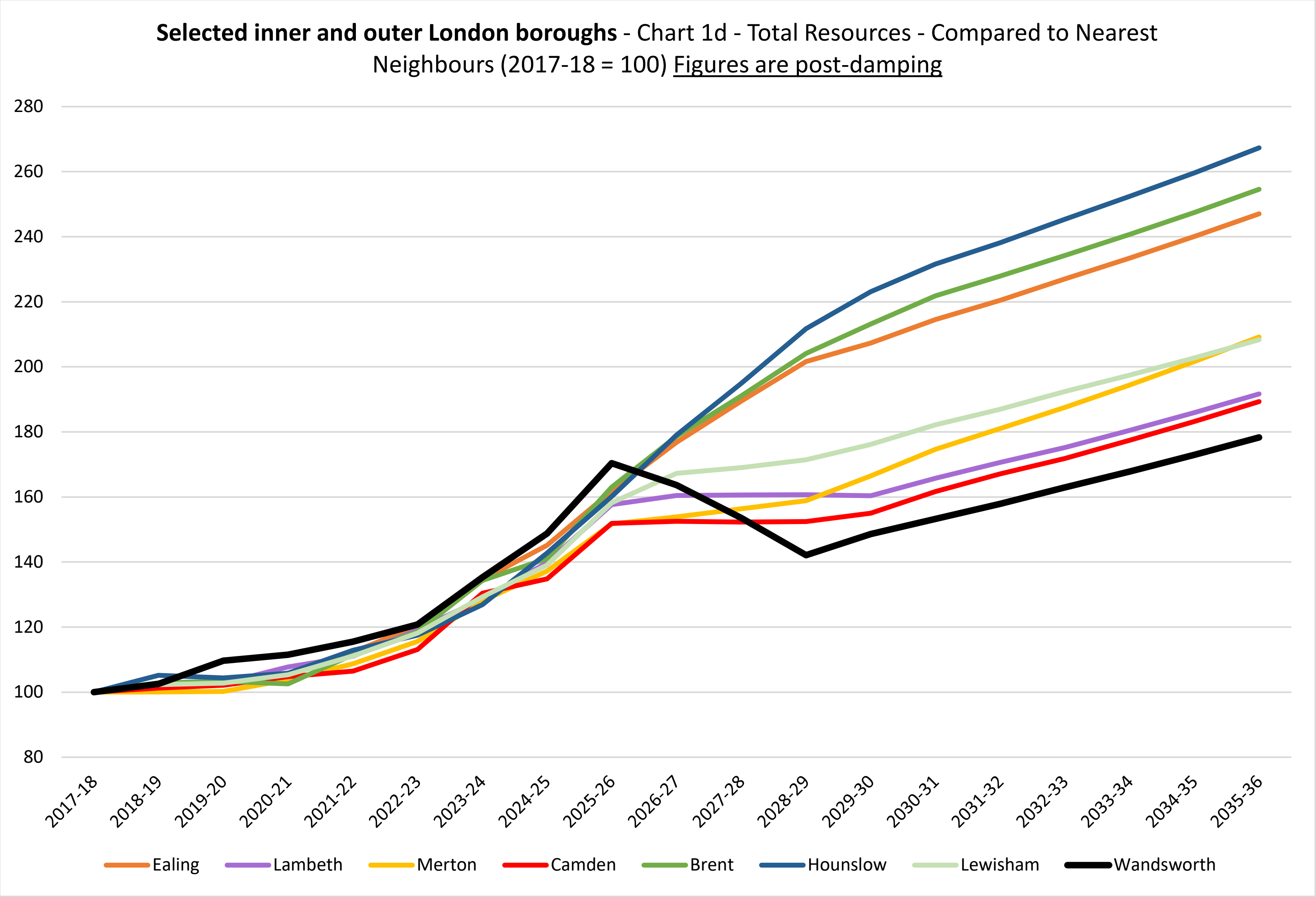
Funding Floor (95%, 100%) | Scaling back to fund damping | TOTAL RESOURCES | POST-DAMPING TOTAL RESOURCES

PIXEL FINANCIAL MANAGEMENT

Assumptions and scenarios for MTFP model

- Some outer London boroughs gained very significantly from FFR2.0 (e.g. Hounslow). These boroughs would expect to continue trend, albeit with less lower annual increases in resources (population, plus taxbase growth).

- Inner London did (very) badly in FFR2.0 in many cases, and may not receive any transitional support over longer term (depending on assumptions).



First Analysis of 2025/26 published accounts

Dan Bates

8 July 2026

LGimprove

Published Accounts Tracker

	2024/25 (@30 June)		2025/26	
	Not published	Published Unaudited	Not Published	Published Unaudited
ILB	1	11	1	11
OLB	6	14	2	18
Met	13	23	3	33
Unitary	13	49	5	57
County	1	20	2	19
Upper Tier	34	117	13	138
Districts	46	118	17	147
Total England	**80**	**235**	**30**	**285**
		75%		90%

Information as at 7 July 2026.

- Only 30 (less than 1 in 10) authorities have not published.
- 262 published by 30 June and 23 more have published since the deadline.
- Continued improvement when compared with last two years.
- Will it reduce the number of disclaimer opinions?

Balance Sheet comparison

	Upper Tier			Districts		
	2024/25	2025/26	Change	2024/25	2025/26	Change
Usable Revenue Reserves	19,114,420	19,578,277	2%	3,587,604	3,878,224	8%
Usable Capital Reserves	10,833,161	11,898,706	10%	3,058,344	3,287,434	7%
HRA Reserves / Schools Balances	3,762,723	3,628,076	-4%	1,708,164	1,590,700	-7%
Usable Reserves	**33,710,304**	**35,105,059**	**4%**	**8,354,112**	**8,756,358**	**5%**
Capital Equity Reserves	161,376,640	164,081,005	2%	48,347,596	48,864,636	1%
DSG Adjustment Accounts	-3,272,357	-5,812,838	78%			-
Collection Fund Adjustment Accounts	228,655	9,326	-96%	28,206	-33,240	-218%
Other Adjustment Accounts	-635,893	-341,538	-46%	801,580	935,622	17%
Unusable Reserves	**157,697,045**	**157,935,955**	**0%**	**49,177,382**	**49,767,018**	**1%**
Total Balance Sheet Reserves & Net Assets	**191,407,349**	**193,041,014**	**1%**	**57,531,494**	**58,523,376**	**2%**
Current Resources	30,666,602	29,301,547	-4%	9,183,898	9,658,740	5%
DSG/URR	17%	30%	73%			
Need to Borrow	107,997,939	112,109,161	4%	28,539,278	29,563,206	4%
Debt Gearing	40%	41%	1%	37%	38%	2%
External Borrowing	72,312,668	76,258,024	5%	22,094,646	22,712,862	3%
Internal Borrowing	35,685,271	35,851,137	0%	6,444,632	6,850,344	6%

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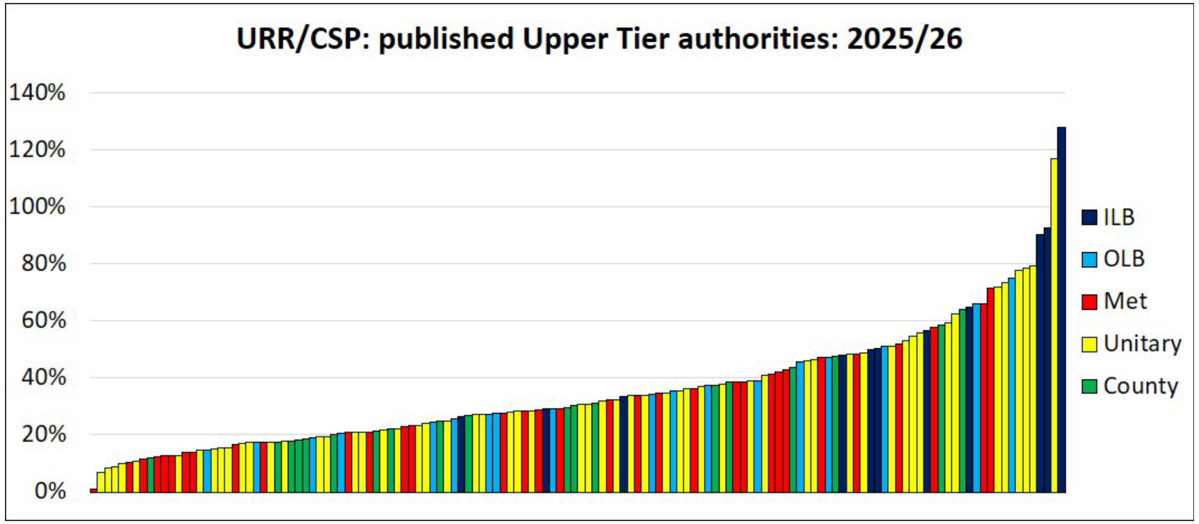
URR up for both UT and districts but UT increase includes significant EFS.

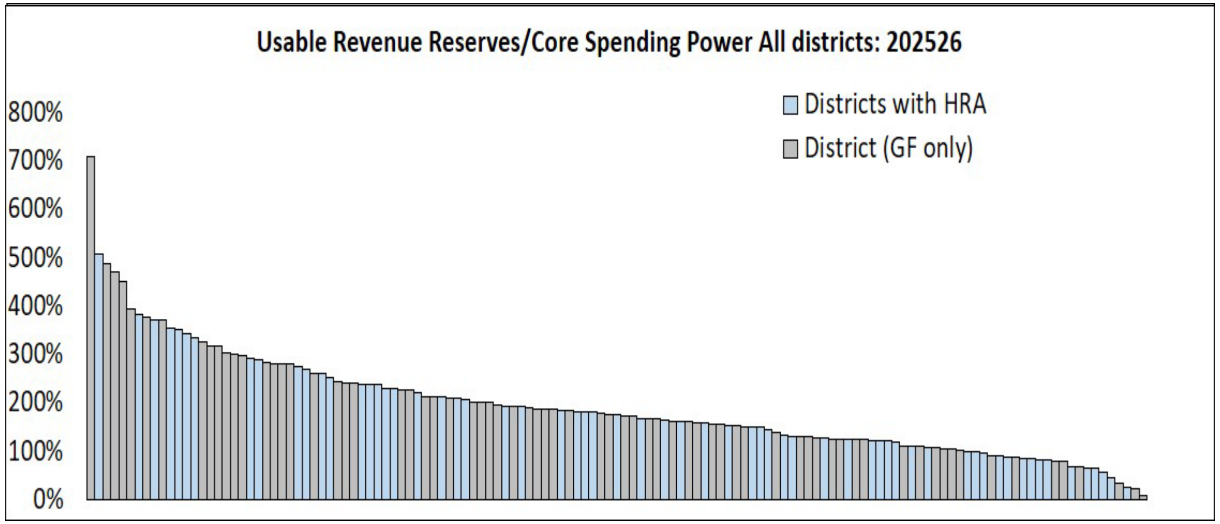
DSG deficits have increased by 76%.

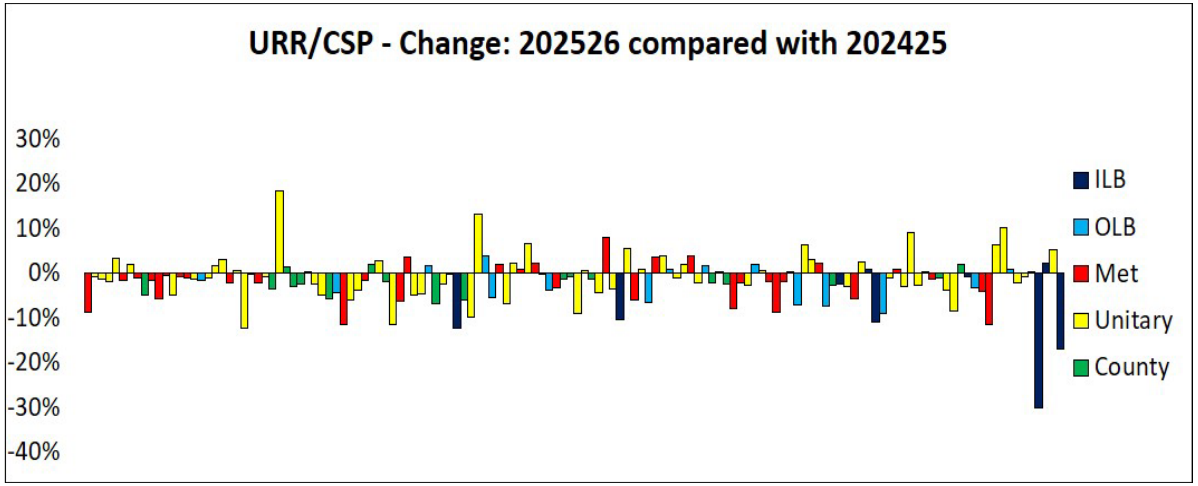
Current resources decreased in UT. Increased in districts.

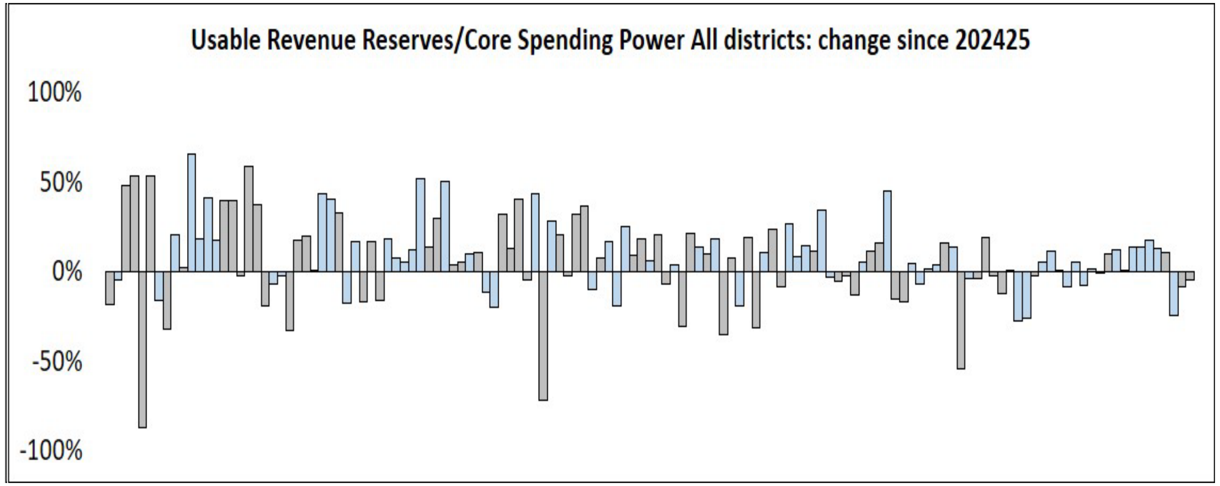
Upper Tiers have relied heavily on external borrowing; districts on internal borrowing.

Usable Revenue Reserves





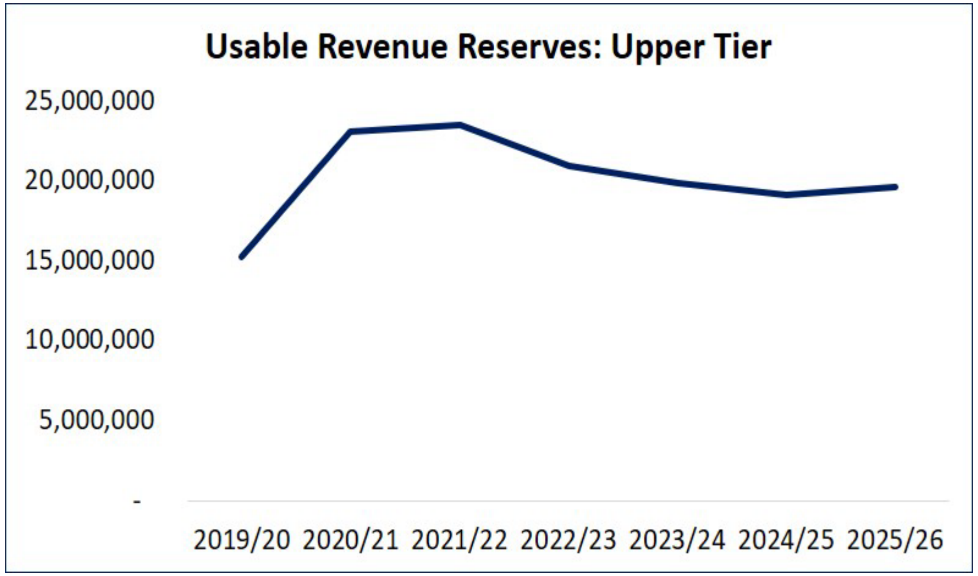


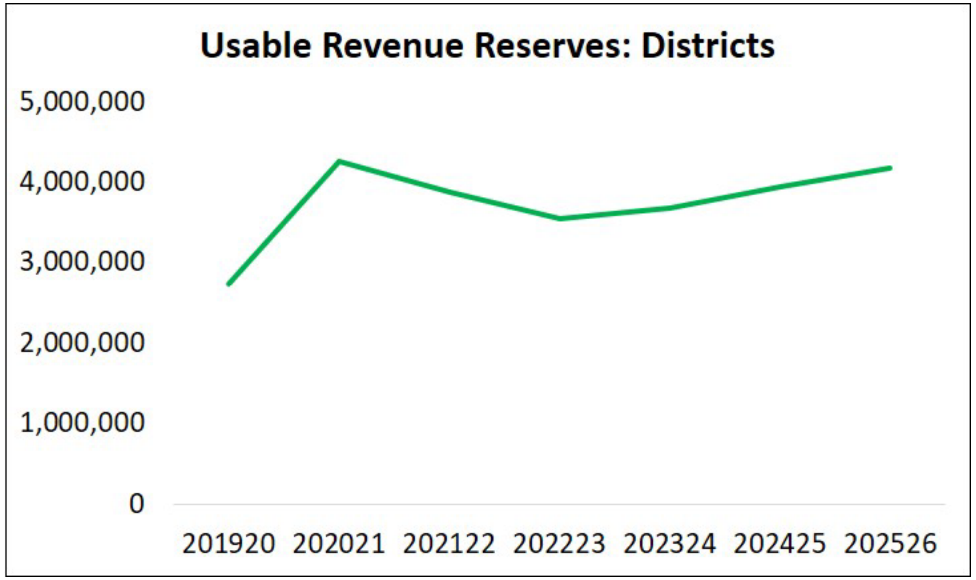


URR falling as a % of CSP across majority of upper tier but at lower rate than previous years

District URR increasing more often than not

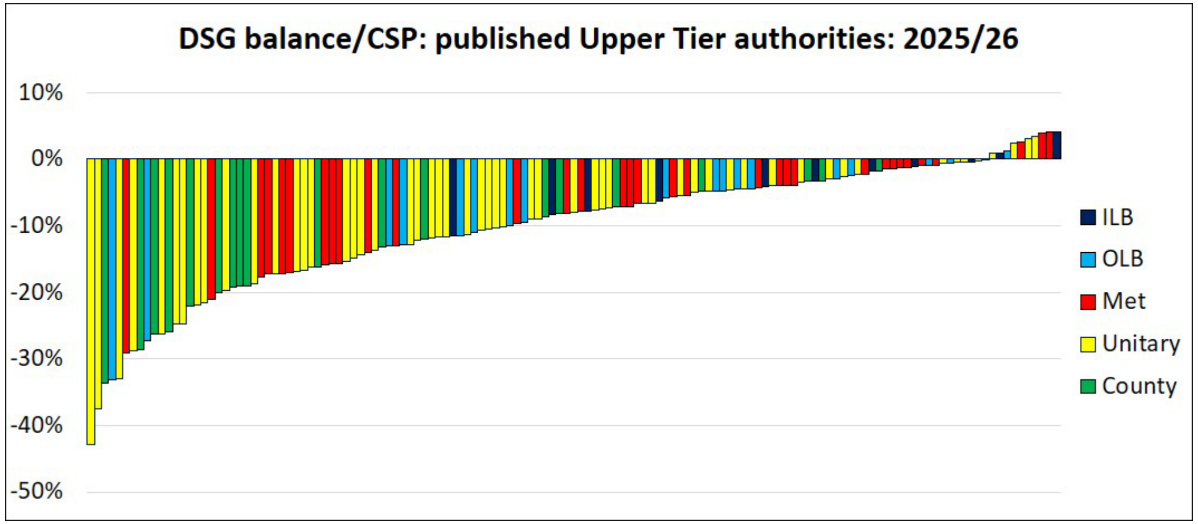
Usable Revenue Reserves

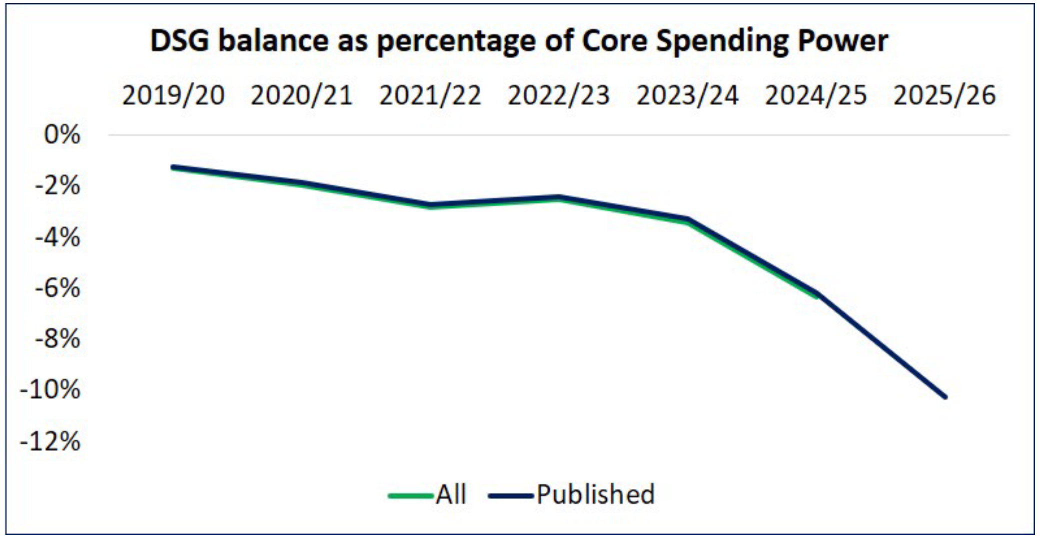


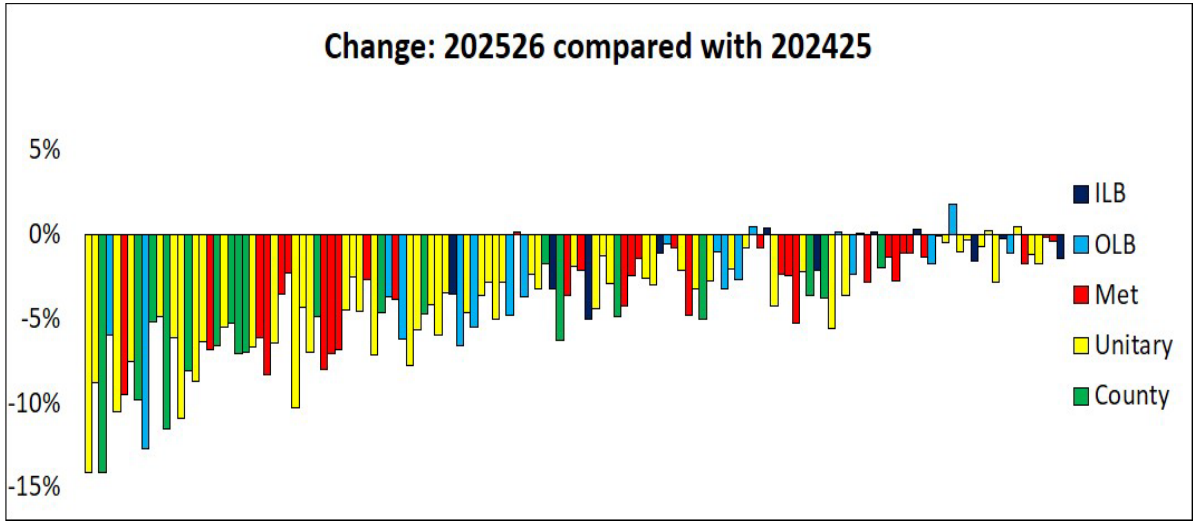


- The most used measure of financial health and resilience.
- Graphs show URR in money terms (ie. not as % of CSP) for the published authorities since 2019/20.
- Significant annual reductions of upper tier URR are slowing down. But is this EFS?
- District URR continuing steady increase of the last few years.

Dedicated School Grant Deficits







- Nearly all upper tier authorities that have published have in-year (2025/26) DSG deficits.
- 78% increase in accumulated deficits. If this is replicated across all authorities, collective deficits will be higher than **£6.5bn**.
- High Needs Stability Grant to the rescue!?

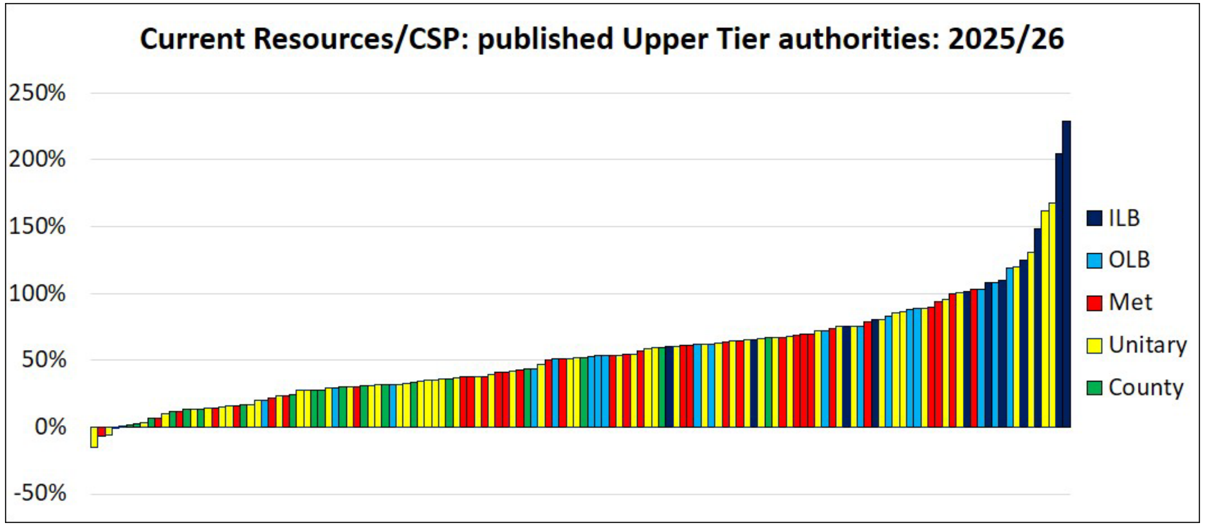
Upper Tier

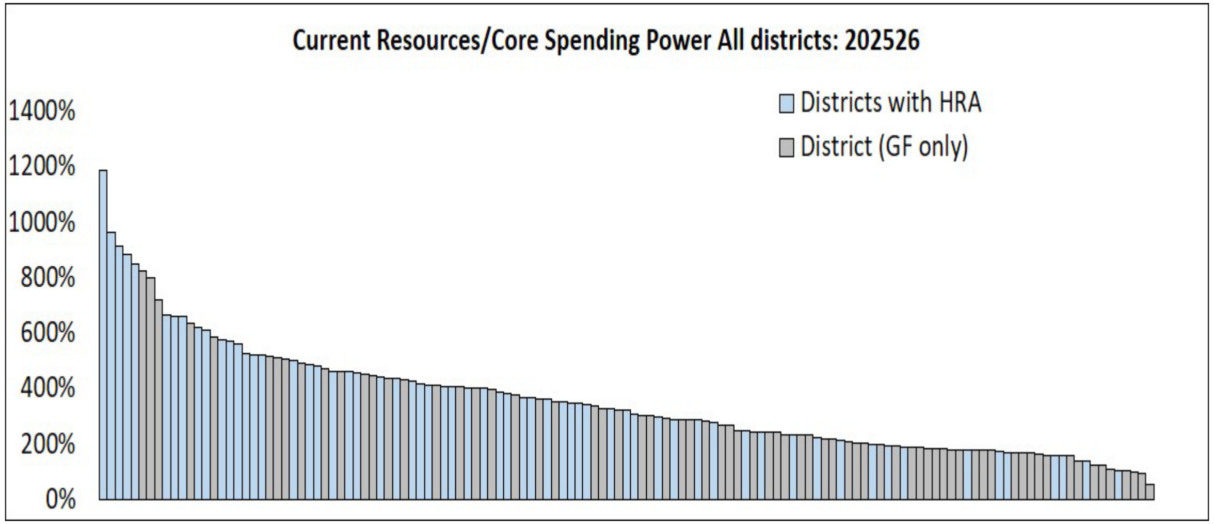
- Reducing usable revenue reserves (slightly down after EFS) including HRA reserves/schools balances.
- and
- Increasing DSG deficits
- equals
- **Reducing Current Resources**

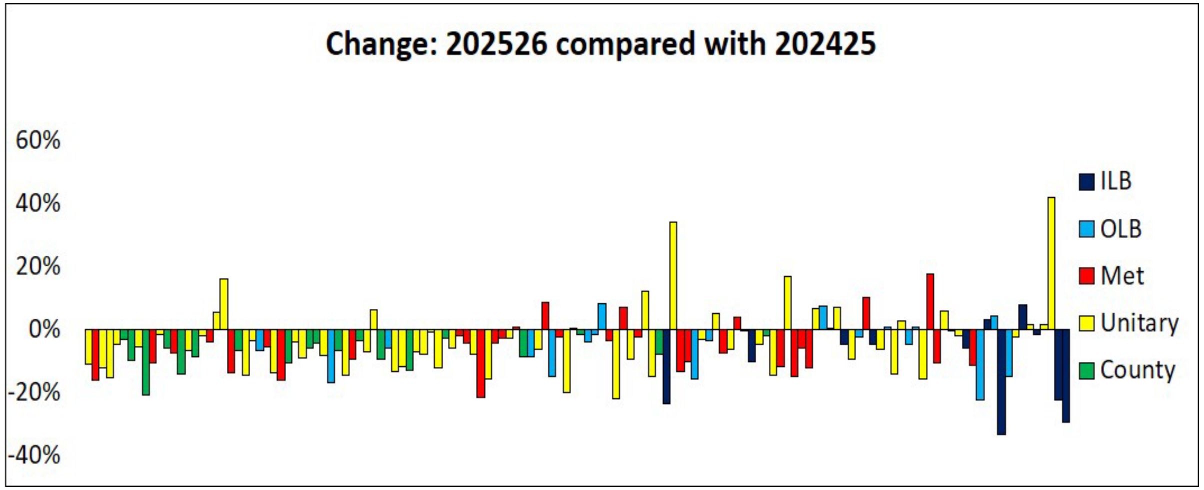
Districts

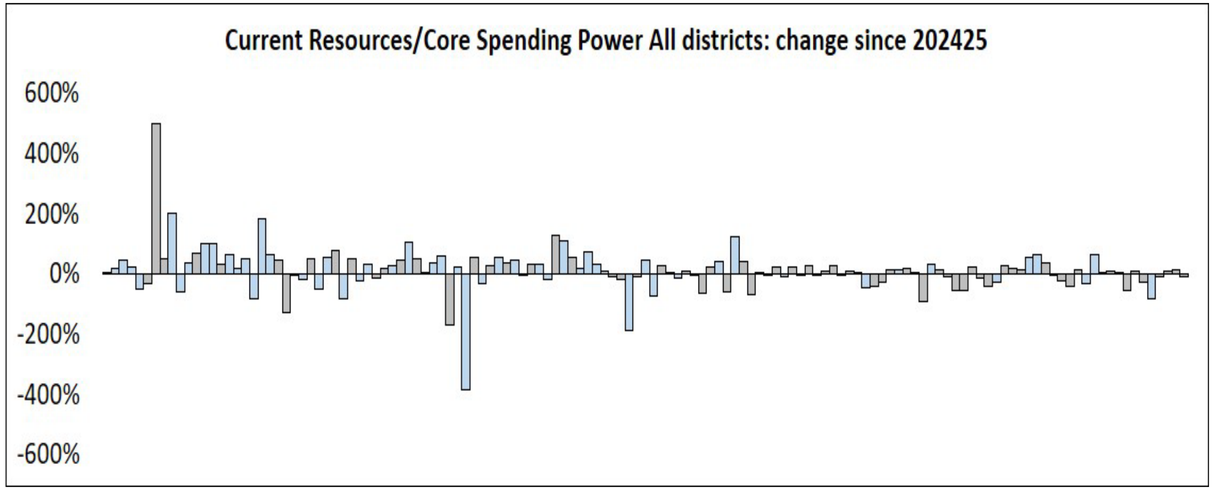
- Increasing usable revenue reserves (7% up).
- equals
- **Increasing Current Resources**

Current Resources





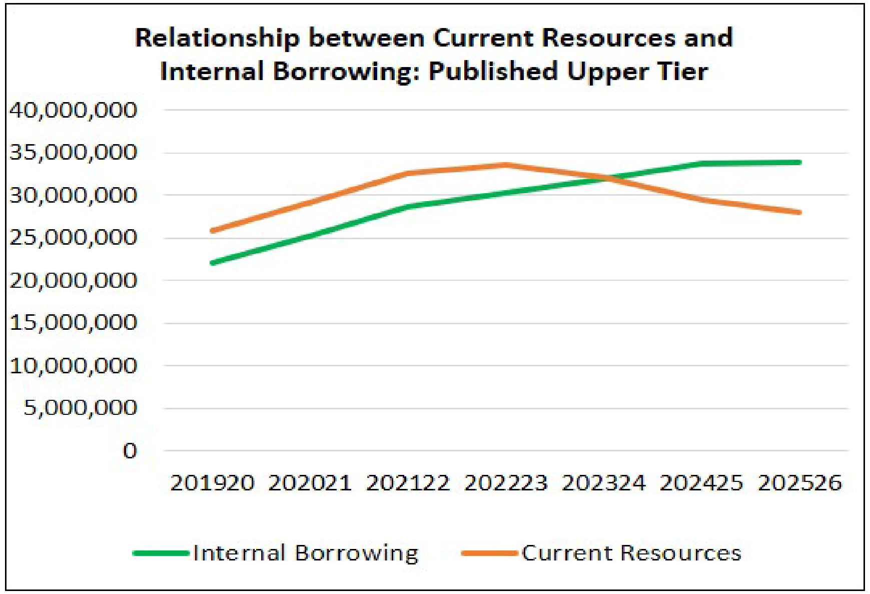


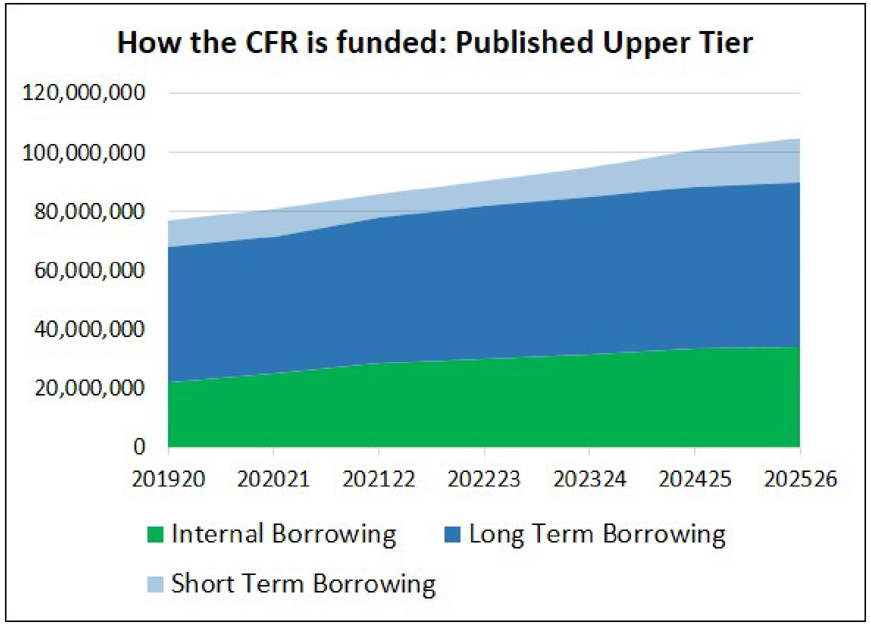


Current resources falling sharply due to falling URR and rapidly increasing DSG deficits

Current resources increasing at the majority of districts

Current Resources & Internal Borrowing: Upper Tier





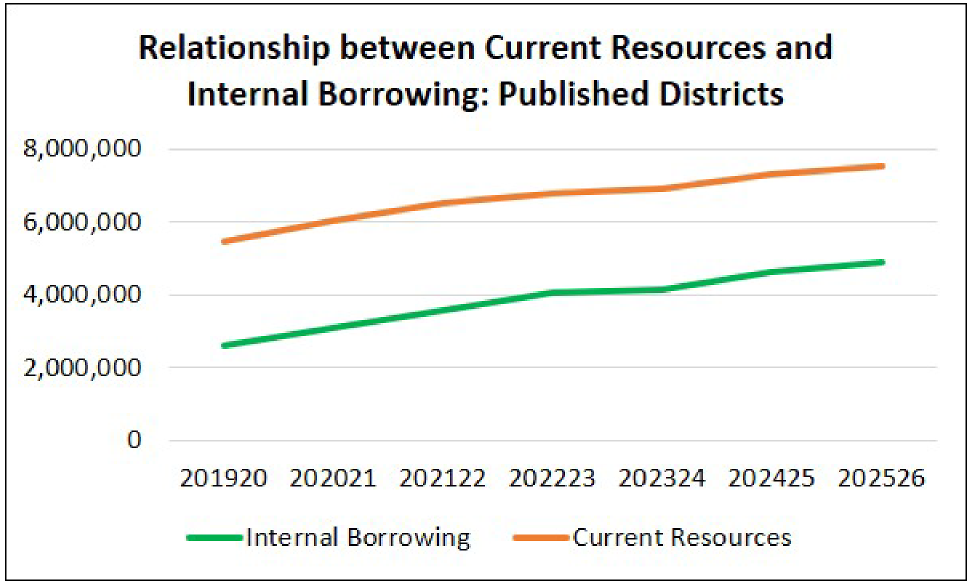
- Downward pressure on reserves and an increase in DSG deficits have combined to squeeze cash backed resources on the balance sheet and these have reduced over the last three years – orange line on the top graph.

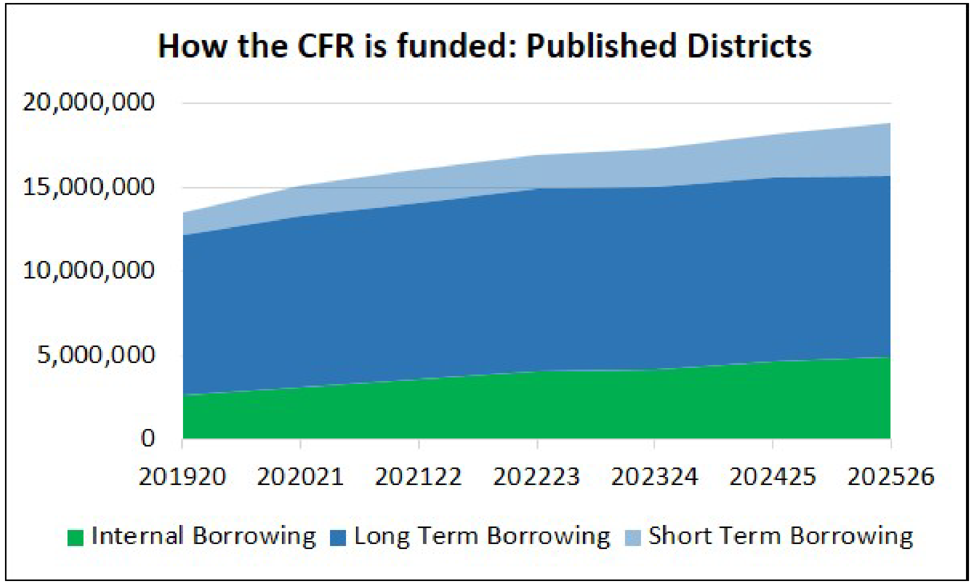
- This correlates to a reduction in the increase in internal borrowing – green line on the top graph.

- And also a significant increase in external borrowing, particularly short-term borrowing – light blue shaded area on bottom graph.

- Making upper tier authorities more susceptible to the volatility of interest rates.

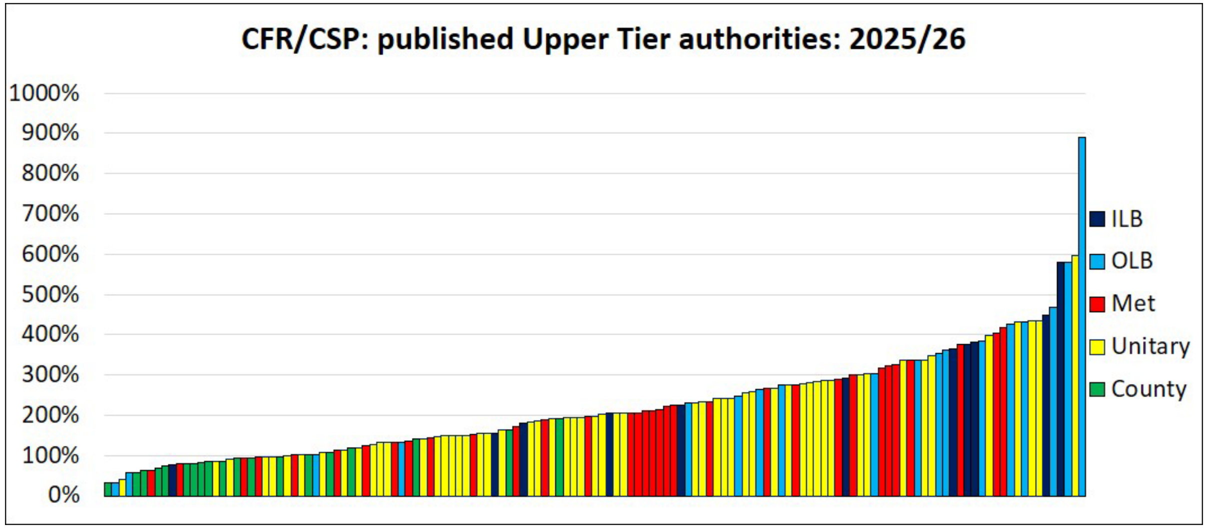
Current Resources & Internal Borrowing: Districts

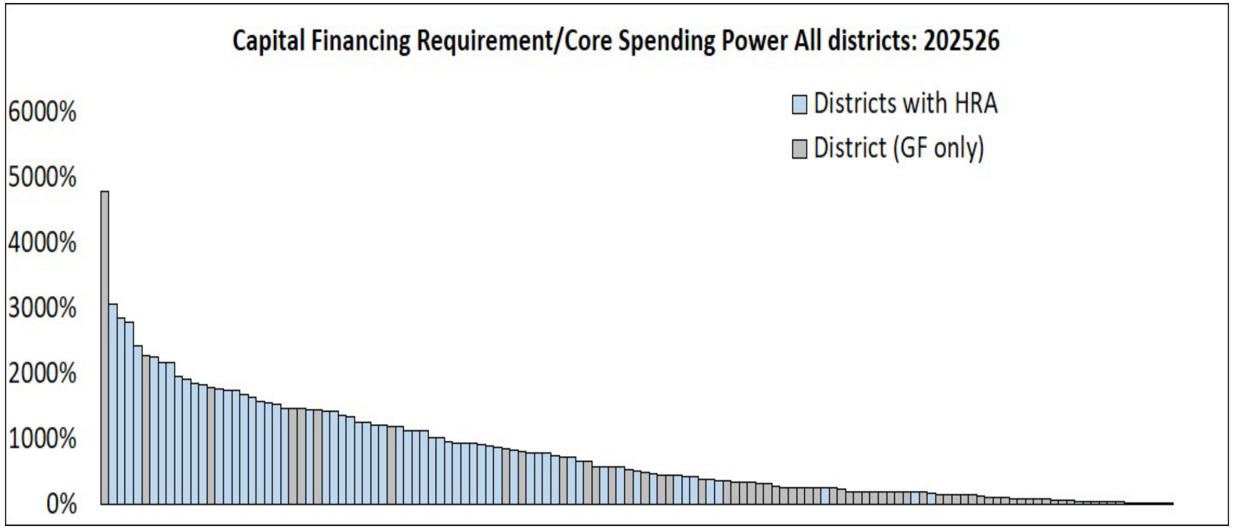


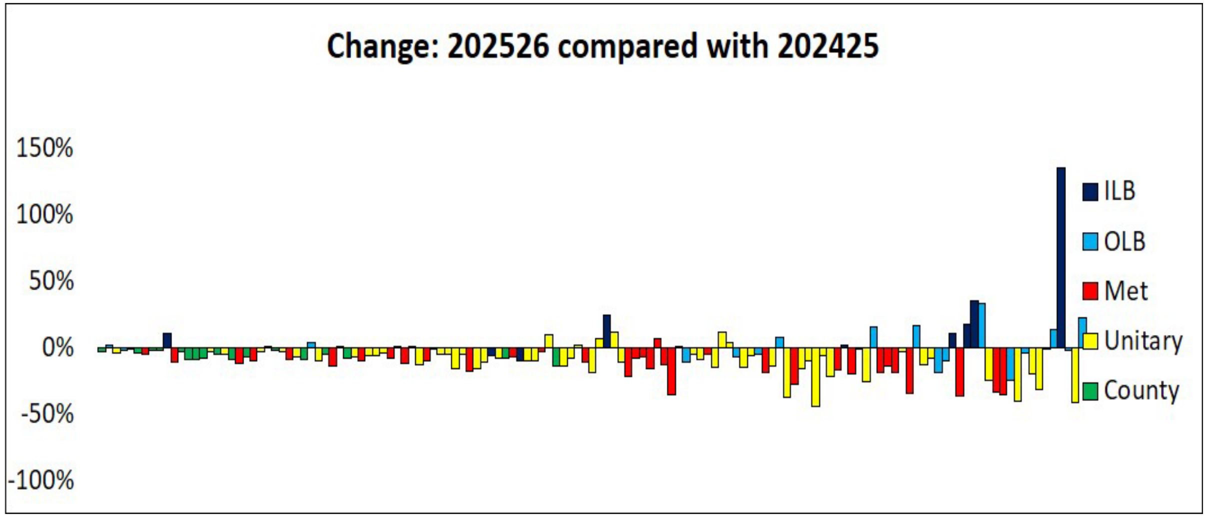


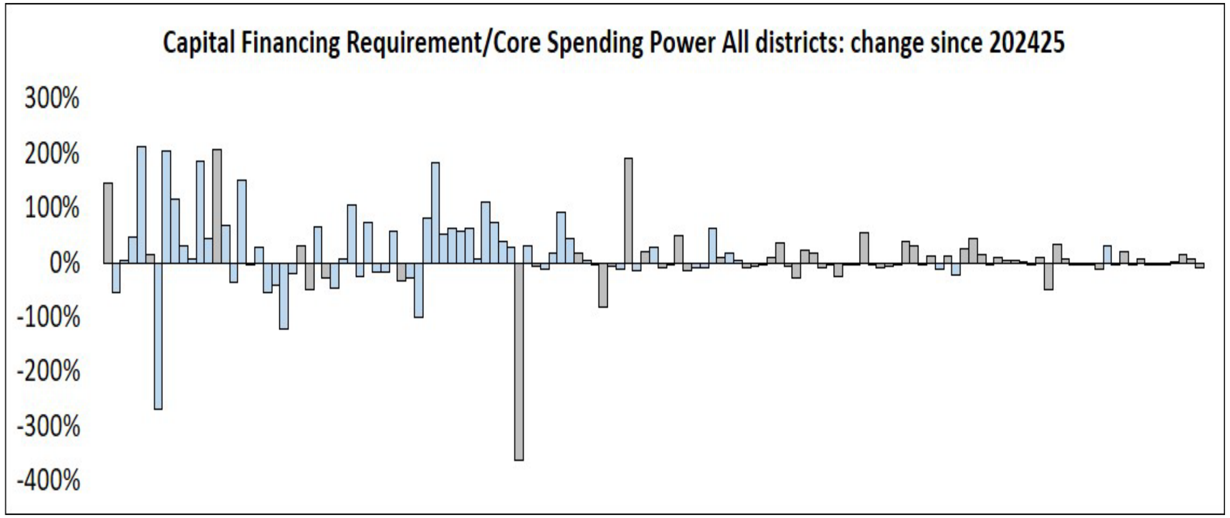
- Same correlation between current resources and internal borrowing for districts.
- As resources have increased than so has internal borrowing.
- In fact, internal borrowing increasing at much faster rate (7%) than external borrowing (3%).
- Making most districts far less susceptible to the volatility of interest rates.

Capital Financing Requirement









Need to borrow is actually reducing as a proportion of Core Spending Power across most authorities that have published.

Debt Financing Costs

Upper Tier

30,666,602	Current Resources	29,301,547	-4%
13,037,547	Short Term Borrowing	15,589,186	20%
59,275,121	Long Term Borrowing	60,668,838	2%
72,312,668	External Borrowing	76,258,024	5%
35,685,271	Internal Borrowing	35,851,137	0%
3,517,303	Interest Payable	3,655,234	4%
-1,485,295	Interest Receivable	-1,423,778	-4%
2,032,008	Net Interest	2,231,456	10%

Districts

	202425	202526	
Current Resources	4,517,491	4,738,281	5%
Need to Borrow	14,060,491	14,579,071	4%
Short Term Borrowing	1,748,434	2,177,321	25%
Long Term Borrowing	9,177,500	9,044,957	-1%
External Borrowing	10,925,934	11,222,278	3%
Internal Borrowing	3,134,557	3,356,793	7%
Interest Payable	403,288	403,725	0%
Interest Receivable	-232,798	-218,327	-6%
Net Interest	170,490	185,398	9%
MRP	140,026	147,583	5%

Reduction in current resources due to pressure on URR and significantly increasing DSG deficits.

Results in pressure on and reduction in internal borrowing and commensurate increase in external borrowing.

Increased borrowing costs and less cash results in reduced interest receivable.

Increased net interest costs are a cost pressure which places additional pressure on usable reserves and current resources.

First conclusions

- The analysis shown is based on 285 authorities (over 90%) which have published 25/26 accounts so conclusions should be representative of the whole sector.
- There are continuing signs of financial stress for upper tier authorities and much less so for districts.
- Some evidence of downward pressure of upper tier usable reserves but decline in URR is slowing down. DSG deficits continuing to accelerate.
- Exceptional Financial Support (which is no longer exceptional) is providing a short-term lifeline for some authorities but potentially with a heavier cost in the longer term via increased borrowing.
- Sustainability of upper tier internal borrowing severely tested and significant increases in short term borrowing at a time of volatile interest rates. Net interest costs increasing for upper tier, reducing for districts.
- The High Needs Stability Grant should provide significant relief.