

**GENERAL FUND REVISED MEDIUM TERM FINANCIAL PLAN (MTFP)
2027/28 to 2029/30****1. INTRODUCTION**

- 1.1 This MTFP updates the Council's budget strategy for the financial years 2026/27 to 2029/30. It is based on current policies and a review of the service and financial planning horizon. The resources forecasts contained therein are based on illustrative external funding levels, taking account of the 2026/27 to 2028/29 Provisional and Final Local Government Finance Settlements and on estimates of future council tax, business rates and other income.
- 1.2 The financial challenge ahead remains considerable although the 2026/27 to 2028/29 Local Government Finance Settlement has enabled us to set a balanced budget for 2026/27 and the multi-year settlement improves our financial planning over the medium term. We need to be resolute in delivering our budget strategy. The report emphasises the need to build upon a direction of travel whereby the Council looks to embed a transformation programme which aims to maximise efficiency but also recognises that the scale of the budget gap means that there will need to be reductions in some of the services we provide.
- 1.3 We also need to ensure that robust action plans are developed in areas where we have cost pressures - most significantly, but not exclusively, in social care and homelessness prevention which despite growth in budgets and increases in grants remain our biggest revenue expenditure risk.
- 1.4 The MTFP defines the resources available to the authority to implement its priorities as set out in the Strategic Plan. It also sits alongside the Corporate Transformation Strategy 2024-2028 which is a key part of delivering against the MTFP and meeting the estimated budget gaps. Following the Corporate Peer Challenge (CPC) and in recognition of the significant financial challenge the Council faces, the Transformation Programme has been scaled up. This culminated in the "Leading Hackney: Future Organisation" report approved by Cabinet in September which sets out the implementation plan for the Workforce element of the Transformation Strategy. The plan set out new ways of working to realise the Transformation vision, creating a culture that puts the resident at the centre of everything we do. It also set out the need to review our structures to align our leadership, management and staff at all levels to align with our new model of working. We continue to invest increased resources for transformation over the medium term, both in staffing capacity and developing an invest to save innovation fund. The planned increased investment is to be funded from capital receipts and is expected to generate a greater level of return in terms of savings to the Council's budgets as well as non-financial benefits. Capital receipts will be generated by the identification and disposal of non-core assets after appropriate review and governance.
- 1.5 The MTFP is concerned with General Fund revenue expenditure and income.

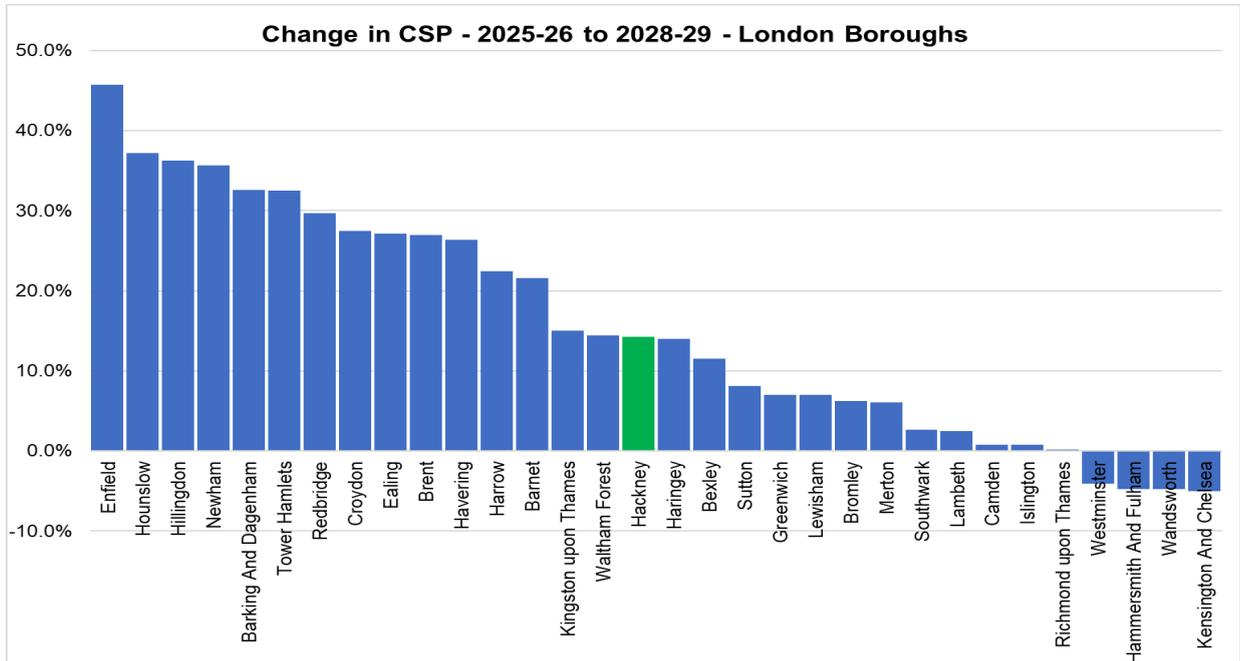
2. FINANCIAL BACKGROUND

2.1 Introduction

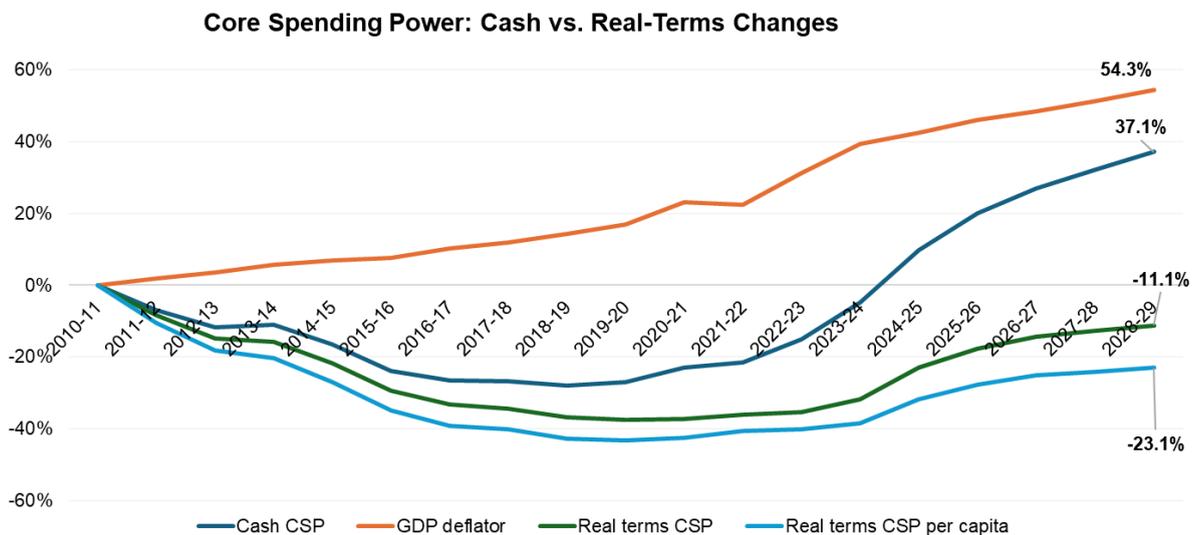
- 2.1.1 The Council has been operating in a challenging financial environment since 2010. Hackney's real terms core funding will fall by 11% between 2010/11 and 2028/29, although from 2024/25 to 2028/29, it will increase by 15.6%.
- 2.1.2 This has coincided with significant ongoing cost pressures resulting from various factors including: - increased demand for many services; increased unit costs; the impact of past Government interventions in areas such as Welfare and Education; the lack of central intervention in homelessness; the very high inflation levels in 2021, 2022 and 2023, and the ongoing albeit much reduced impact of Covid-19. Areas particularly affected include adult social care, children's services, supporting an ageing population, revenues collection, homelessness and certain Education services such as SEND and SEND home to school transport.
- 2.1.3 In the 2026/27 to 2028/29 Final Local Government Finance report, the Government set out Core Spending Power (CSP) estimates. Our CSP is projected to rise, in cash terms, by 6.2% in 2026/27, 3.8% in 2027/28, and 3.6% in 2028/29. The increase from 2025/26 to 2028/29 is £61m of which £28m is from assumed council tax increases.

The change in our core spending power (CSP) from 2025/26 to 2028/29 is shown below together with a comparison with other London boroughs. These charts are derived from the Provisional 2026-27 to 2028-29 Local Government Finance Settlement, where the increase is slightly lower in 2026/27 but slightly higher in 2027/28 and 2028/29 than in the Final Settlement

Change in Core Spending Power 2025/26 to 2028/29 - Comparison with London Boroughs (Provisional Local Government 2026/27 to 2028/29 Settlements)



Change in LBH's real terms CSP (Provisional Local Government 2026/27 to 2028/29 Settlements)



2.1.4 The main elements of the 2026/27 to 2028/29 Local Government Finance Settlements are considered in detail in the main Budget Report.

2.1.5 The Settlements will have a positive impact on the budget gap such that we will be able to set a balanced budget in 2026/27 without using reserves and should have no need for special financial support in this year. However, the

ability to set a balanced budget post 2026/27 will depend on various other factors including our spending outturn relative to the budget in each of the three years, our achievement of approved savings over the period and our ability to make further savings.

2.2 Cost Pressures

2.2.1. The Council is experiencing considerable pressures across its demand-led services. Specifically in social care and in homelessness prevention. In 2025/26, £45.640m growth was allocated (primarily in Adult Social Care £20.858m and £21.300m in Temporary Accommodation) excluding growth for the pay award). In 2026/27, we will allocate a further £9.7m growth to social care and £4.6m to Other Services (F&CR and HCE).

2.2.2 These demand-led cost pressures are driven by:

- Children's services - placements, especially residential and high cost supported, and disabled children's services)

The financial pressures within Children's Services are consistently concentrated in Corporate Parenting. Since the 2019/20 financial year, we have observed a significant increase in the unit costs of different placement types. This is compounded by a shift in the profile of placements towards children and young people with more complex care needs, such as those with very complex mental health issues requiring continuous supervision due to the constant risk of self-harm.

Furthermore, a national shortage of placements, combined with higher demand, has created an extremely competitive market, consequently driving up costs. Within the Disabled Children Service increasing costs are primarily linked to complexity of care and the demand for home care services. Despite these factors, Corporate Parenting is currently forecasting an underspend of £1.7 million, based on current placement costs and the number of children in our care. However, this forecast carries a risk, as it is highly susceptible to variation. Historically, demand has increased during holiday periods, and the possibility of new children with particularly complex needs entering the service could quickly add significant costs to the budget.

- Adult Social Care - demographic factors and the increasing complexity of client needs;

The ASC budget continues to face significant challenges, primarily driven by increased numbers of clients, rising care complexity, and inflationary pressures. Since 2019/20 to 2024/25, the number of individuals receiving care and support has grown by 45%, with homecare alone experiencing a 93% rise. This increased demand has been further compounded by escalating unit costs due to inflation, including the London Living Wage (LLW), and the complexity of care packages. Despite the allocation of significant increases in budget growth over the past seven years to support provider inflation uplifts (including LLW) and demographic growth, and a £27m increase in

grant funding for Social Care (inclusive of the Discharge and MSIF grants) over the same period; the budget remains under considerable strain.

- Temporary Accommodation - increased numbers, shortage in supply, increased rates and reliance on nightly paid accommodation.

Despite a temporary stabilisation in the volatility of unit costs, significant financial pressure remains. This is driven by persistently increasing demand, evidenced by the number of Temporary Accommodation (TA) placements reaching 3,749 as of December 2025, an annual net increase of 142 households. To meet this growing need, we remain compelled to utilise nightly paid temporary accommodation. Although market rates have steadied, they remain at the historically high baseline established after the steep increases of recent years. The budgetary impact is further compounded by the structural deficit between landlord rents and the current Housing Benefit subsidy rules, which continue to prevent full cost recovery.

2.2.3 The final Local Government Settlement improved the Council's funding in 2026/27 and across the financial planning period. This improvement has enabled the Council to invest in priority services in 2026/27 as follows:

- **Libraries** - an investment of £0.64m to maintain current opening hours in the borough's seven libraries.
- **Street Cleansing and Waste** - an Investment of ££1.7m to invest in additional street cleaners to increase the frequency of street cleansing and invest in additional staff to tackle flytipping. We are also recommending an increase in enforcement officers. This investment will be one off in nature pending a review of operations to ensure the service is as efficient as possible and delivering Value for Money,.
- **Financial resilience** - the balance of the resource to be retained to replenish reserves and enhance resilience. Reserves will be depleted further by an estimated £10.3m to fund the 2025-26 general fund revenue overspend. Currently, we estimate that our reserves at the end of 2025-26 will be between £30m and £34m before any enhancements. This compares to £62.7m at the start of the year. We also have £33m savings in 2026-27, so we will need to retain some unallocated funding as contingency for non or partial delivery.

2.2.4 The revised Medium Term Financial Plan (MTFP) incorporates a total of £26.7 million to address the projected growth in social care pressures between 2026/27 and 2029/30, with £9.7 million allocated specifically for the 2026/27 financial year. Additionally, £9.1 million has been earmarked for other services over the same period (2026/27 to 2029/30), with £4.6 million allocated in 2026/27.

3. Medium Term Financial Plan

- 3.1 In this section we present a revised indicative financial forecast which covers the period 2027/28 to 2029/30.
- 3.2 The main external funding allocations for 2027/28 to 2028/29 are taken from the 2026/27 to 2028/29 Local Government Finance Settlement. The 2029/30 external funding estimates are prudently set equal to the 2028/29 estimates.
- 3.3 The MTFP also takes account of the impact of capital expenditure on the revenue forecast. The capital programme significantly affects our MTFP, especially in terms of the provisions we allocate for debt repayment and financing, as well as any revenue contributions to capital expenditure we make. As we move ahead, with a decreasing pool of capital receipts and a growing dependence on borrowing, it becomes imperative for us to enhance the provisions within our revenue budgets. In this iteration of the MTFP, we have incorporated increases in revenue allocations to align with our existing capital programme.
- 3.4 It's essential to highlight that regulations mandate a 'minimum revenue provision' (MRP) for assets funded through borrowing, which comes into play a year after the asset comes into use. Consequently, a decision taken, let's say in 2026/27, regarding a major capital project may not translate into a revenue charge on the General Fund until 2028/29 or even later. This impact necessitates careful consideration during capital investment decision-making, despite the fact that the charge won't materialise until after the asset is in use. Furthermore, it underscores the cumulative and long-term implications of significant capital decisions; for instance, a new asset with a useful life of 30 years will generate a revenue charge extending over the next three decades.
- 3.5 In the MTFP we have estimated that the estimated MRP adds the following amounts to general fund expenditure: 2027/28 £21.287m, 2028/29 £25.935m and 2029-30 £31.068m.

3.6 Medium Term Financial Plan 2027/28 to 2029/30: Underlying Assumptions

- 3.6.1 The underlying assumptions are as follows:-

Income

- (a) Revenue Support Grant (RSG) and Recovery Grant allocations are set equal to the allocations published in the 2026/27 to 2028/29 Local Government Finance Settlement (LGFS). The 2029/30 RSG and Recovery Grant estimates are prudently set equal to the 2028/29 allocations.
- (b) The 2027/28 to 2028/29 Top Up Grant allocations were not published in the 2026/27 to 2028/29 LGFS and so for these two years we have increased the 2026/27 grant by 2%. The 2029/30 estimate is set equal to the 2028/29 estimates.

- (c) The business rates multipliers are assumed to increase by 2% in all years and the business rate collection rate is set at 95.5% throughout.
- (d) Business Rates Retention is set at 30% throughout the period of the Plan (i.e. the % that Hackney keeps from the total business rates yield, with the balance going to the GLA and the Government).
- (e) The Council Tax rate is assumed to increase by 4.99% in all years of the Plan. We also assume that the taxbase will increase by 570 Band D properties each year; and the collection rate will be 94.5% throughout.

Expenditure

- (a) A total of £9.7m growth has been included in the plan to manage social care in 2026/27. In 2027/28, this rises to £16.7m and then to £21.7m in 2028/29 and to £26.7m in 2029/30. These are cumulative estimates.
- (b) The plan includes an allowance for Other Services Growth, starting at £4.6m in 2026/27 and increasing to a cumulative estimate of £9.1m by 2029/30.
- (c) We have assumed a 3% increase in the pay award costs in all years of the Plan
- (d) The Concessionary Fares and NLWA levies are increased in line with latest forecasts from TfL and the NLWA.
- (e) We have estimated that the MRP adds the following amounts to General Fund expenditure: - 2027/28 £21.287m, 2028/29 £25.935m and 2029/30 £31.068m
- (f) In 2027/28, we have included a £1.9m provision to fund the accumulated High Needs-related DSG deficit accrued up to the end of 2025/26. More detail on this is given in 4.5 below

3.8.2 The forecast derived from these assumptions is shown below. Please note that the forecast must be regarded as **illustrative only**.

Medium Term Financial Forecast 2027/28 to 2029/30

RESOURCES	2027/28	2028/29	2029/30
Revenue Support Grant, Recovery Grant, Top Up Grant and Additional IBCF (2026/27 - transferred to RSG in 2028/29)	249.114	255.789	255.789
pEPR Grant	2.500	2.000	1.500
Public Health Grant (paid direct to service from 2026/27)	n/a	n/a	n/a
Business Rates Income including S31 grants	73.793	75.274	76.755
Council Tax - 4.99% Tax Increase throughout	131.280	138.718	146.509
TOTAL	456.687	471.781	480.553
EXPENDITURE	2027/28	2028/29	2029/30
Total directorate cash limits after savings, growth and HRA Recharge	361.527	357.406	357.406
Social Care growth	7.000	12.000	17.000
Homelessness Prevention growth	2.000	3.050	3.050
Other Growth	0.500	1.000	1.500
General Finance (Corporate) Account			
Superannuation	5.821	4.515	4.815
Capital Charges	30.436	38.984	41.117
Pay Award	16.025	23.773	31.747
Levies (NLWA, Concessionary Fares & London Pension Fund)	28.316	29.665	31.014
Building Costs including Energy, PFI & Maintenance	14.875	15.375	15.875
Transformation Savings	-11.859	-12.638	-12.638
Financial Sustainability Fund (Non-Recurrent)	3.723	4.746	0.000
Finance Residual SEND Deficit	1.900	0.000	0.000
Other Corporate Items	0.078	0.578	-0.167
TOTAL	460.342	478.455	490.719
BUDGET GAP/RESERVE REQUIREMENT	-3.655	-6.674	-10.166

3.8.3 The cumulative budget gaps are £3.655m in 2027/28, £6.674m in 2028/29 and £10.166m in 2029/30 respectively. The primary reasons for the budget gaps in all years are:- the budget added to cash limits to address cost pressures primarily adult social care, increases in capital charges and the pay award.

4.0 Risks

4.1 External Funding

The main risk to our external funding will occur in 2029/30. This is because the Government has given no information on what will happen to external funding

post 2028/29. When announcements are made, these will feed into the ongoing irritation of the MTFP

The business rates estimate used to calculate our top-up grant for 2026/27 will be revised to take account of more accurate rateable values derived from a data collection exercise in the summer of 2026. This business rates estimate is a key determinant of our top-up grant. If this estimate changes, as it inevitably will, there will be a retrospective adjustment to our top-up grant which will be made in 2027/28. It is not possible to say in advance of the data collection exercise what this adjustment will be. We should also be given an actual top-up grant allocation for 2027/28 in December 2026

4.2 Increased Cost Pressures over and above the assumptions made in the MTFP

This report has already noted cost pressures in various areas and we have built growth allocations into the forecast to reflect this. However, in the past, the increase in spending in some areas, particularly adult social care, has risen faster than historically. We do expect management action to have an impact on these costs but if expenditure continues to grow at current levels there will be a further call on reserves and an increase in the budget gap in future years. We will assess this again when we update the MTFP in the summer of 2026.

4.3 Achievement of MTFP Savings

There is always a risk in any MTFP of non achievement or underachievement of savings. Almost all of the straightforward savings have already been taken. The 2025/26 budgeted savings are being tracked on a monthly basis in the OFP in a savings tracker attached as an Appendix to the main report. Services are asked to review, RAG rate and comment on the performance of each of the savings approved for 2025/26. This process will continue for savings agreed for 2026/27 and beyond. This allows Cabinet and senior officers to focus on any potential non-achievement and plan for mitigations.

4.4 Energy Prices

We have made a provision for high energy prices in the Plan but there is always a risk that the ongoing and growing international instability could result in a sharp rise in energy costs such that our assumption is exceeded.

4.5 SEND

In the 2025 Budget, the Government announced that it will absorb SEND costs from 2028/29. Dedicated Schools Grant (DSG) deficits (for which Hackney's was £19.1m in 2025/26), do though represent a substantial fiscal risk when the statutory override ends in 2027/28. In the 2026/27 to 2028/29 Local Government Finance Settlement, the Government announced that all local authorities with SEND deficits will be eligible in 2026/27 to receive a grant covering 90% of their High Needs-related DSG deficit accrued up to the end of 2025/26. This grant will be paid in Autumn 2026, subject to each local authority submitting and securing the Department for Education's approval of a local SEND reform plan. On the basis of this, it is very likely that we will have

to fund the remaining 10% of the deficit from our own resources (c.£1.9m) for which provision has been made in 2027/28.

4.6 Flexible Use of Capital Receipts

The strategy of using capital receipts flexibly carries an inherent risk: it depends on future receipts from the sale of non-core assets to finance transformation projects aimed at achieving ongoing savings or demand reduction. Should these anticipated receipts not materialise, the associated expenditure would necessitate an increased drawdown on Council reserves, thereby diminishing the Council's financial resilience.

4.7 Unforeseen Events

Recent unforeseen events like the Covid-19 pandemic and the cost of living crisis exemplify incidents that have resulted in unexpected financial burdens for the sector. There is always a possibility that another unforeseen event will occur and have a similar impact.

5. Looking Forward

5.1 While we come to the closing stages of agreeing the budget for 2026/27, work continues on the challenge we face in delivering the approved savings and closing the £10m gap over the three years from 2027/28.

5.2 We look to achieve a large element of our savings plan through transformation, which will require us taking the right decisions for the Council, which will be challenging, and a more profound look at the nature and extent of services that we provide.

5.3 Officers from across the Councils provide appropriate contextual information to inform our considerations on the MTFP. There will be a report back on this process and the timetable to close the budget gap over the medium term early in the new year, including further engagement with Scrutiny - the aim being to identify the more difficult areas as soon as practical. The process will be worked up in more detail in the coming months.

6. GENERAL FUND RESERVES

6.1 The tables below set out the forecast position as at the end of 2025/26 taking on board forecast reserves movements in 2025/26 and shows an acceleration of the decline in our reserves as a result of the significant increase in the cost pressures the Council is facing.

	£m
Overall General Fund Reserves as at 31 March 2025	111.6
Less: General Fund Balance	19.0
Less: Schools balances	5.9
GF Reserves (excl GF balance & Schools Balances)	86.7
Less Forecast Net Reserves usage 2025/26 (note, this is an estimated figure which is subject to change depending on variations to the current year forecast)	17.8
Less Committed Reserves (main elements are the PFI, the Insurance Fund & elections reserves)	12.5
Less Third Party Agreement (S256 agreements with health and other joint balances)	7.5
Less Grant reserves (Adult Education, Homes For Ukraine, and other grants)	4.0
Other Earmarked reserves	44.9

- 6.2 The final overspend position for 2025/26 (currently estimated at £10.3m) will reduce this reserve balance). In addition, we need to factor in the impact of any shortfall on our capital receipts planned to be used for transformation.
- 6.3 The above assumes the approval of the strategy to fund transformation and invest to save expenditure through the flexible use of capital receipts (Appendix 10 to the Budget report). It also assumes that we can generate the level of receipts required to fund the strategy. We have a programme of asset reviews to generate these receipts which will be kept under review to ensure that any slippage or shortfalls are factored into our spend plans and our reserves position. In simple terms if we were to do nothing and we were to continue to overspend at the current rate our reserves will be exhausted within 2-3 years.
- 6.4 Therefore, the Council is in a challenging position financially particularly given the risks set out above. Whilst it is assessed by the Group Director of Finance & Corporate Resources in his section 25 statement that the reserves give us sufficient mitigation against risk for 2026/27 we will need to review this on an ongoing basis (and particularly when we have a clear view of the first general fund forecast for 2026/27) to determine if we need to take further action in preparation for setting the 2027/28 budget. The Local Government Finance Settlement we have received has been better than expected and whilst we are not now in a position where we don't need to approach the Government for exceptional financial support (EFS), there are still challenges. We have a significant savings plan to deliver in 2026/27 and over the planning period as a whole and if we delay in delivering our transformation programme this position will change. It is worth noting that under the current arrangements EFS, this would come in the form of the ability to capitalise revenue costs and would not be a sustainable position. Therefore it is essential that we deliver our budget strategy and ensure the financial sustainability of the Council.

- 6.5 It is critical in order to avoid the requirement to make short-term decisions which will adversely impact on our residents, for the Mayor, Cabinet and the Corporate Leadership Team to continue the work we have already to close the estimated MTFP gap of £10m (2026/27 to 2029/30) and deliver a year on year balanced position, and seek to build in increases to our revenue reserves to improve our financial resilience over the medium term where possible.

7. CONCLUSION

- 7.1 The revised MTFP and Budget report demonstrate the significant financial challenge the Council faces over the period 2026/27 to 2029/30. The council faces increasing demand and cost pressures across various services especially in Adult Social Care. This will require the achievement of the approved savings, development of further savings proposals, the successful implementation of the various transformation exercises and the continued effort to drive out efficiencies and economies across all services, alongside inevitable service reductions. A failure to do this may well require an unsustainable call on reserves to balance the budget within 2-3 years.