Armagh City Banbridge & Craigavon Borough Council

Medium Term Financial Plan 2026-2031

PILLARS OF FINANCIAL RESILIANCE



- Robust financial management
- Accountability and Affordability
- Strong leadership
- Clear plans for delivering savings
- Managing reserves over the medium-term financial planning horizon

INDICATORS OF FINANCIAL STRESS



- Running down reserves
- Failure to plan and deliver savings (in the short and longer term)
- Gaps in savings plans
- Departments having unplanned overspends and/or undelivered savings
- Dependencies on external central financing
- Lack of ownership and accountability
- Weaknesses in financial management and budgetary control (can lead to unplanned pressures)
- Weak Capital Planning

Legislative requirements

The Local Government Finance Act (Northern Ireland) 2011 is the primary legislation concerning the Councils responsibilities in respect of Estimates of Expenditure and Rates Process. Subsection 3 of this Act, requires that before 15 February the Council:

(a) Shall consider the estimates for the next financial year;
(b) May revise the estimates in such a manner as the Council thinks fit;
(c) Shall approve the estimates, subject to any revisions under paragraph (b);
(d) Shall authorise the expenditure included in the estimates; and
(e) Shall fix for the next financial year the amount estimated to be required to be raised by means of rates made by the Council.

The Local Government Finance Act (Northern Ireland) 2011 (the Act) also requires consideration of the Robustness of the Estimates and the Adequacy of any Financial Reserves for the financial year. The Act also requires the Council to determine and keep under review how much money it can afford to borrow.

Background

The Medium-Term Financial Plan (MTFP) is pivotal in expressing the Council's high level corporate plans and objectives into something measurable by identifying costs and the funding required to deliver them. It is there to provide Members and Senior Council Officers with an appreciation of the real and projected financial and resourcing challenges and constraints facing the Council over the next five years.

The MTFP is an important tool to help provide an understanding of the estimated future costs and pressures, but it is not a definitive budget as it deals with a number of unknowns. It does however provide the parameters within which budgeting, service planning and an efficiency program should take place to ensure the Council lives within its means.

Financial Planning sits at the core of protecting and future proofing the organisation. The ability to look strategically beyond the current financial year is essential to support the Council's overall resilience and longer-term financial stability.

Financial resilience is the ability of an organisation to remain viable, stable and effective in the medium to long term while facing increasing pressures from growing demand for finite resources, a tightening of funding and an increasingly complex and unpredictable financial environment.

Financial strategy is the link between an organisation's longer-term service objectives, its investment strategy and its financial capacity. It seeks to ensure the organisation's strategic objectives can be achieved within the confines of the financial resources that it has at its disposal.

The Council's Medium Term Financial Plan (MTFP) has been reviewed and updated and includes a five-year forecast in line with best practice. It translates Council's financial

strategy into a multi-year detailed financial plan that demonstrates how the delivery of services will be financed while highlighting areas where and years when financial pressures might arise.

The MTFP is a key strategic corporate document that encompasses the aspirations and ambitions of the Council whilst integrating with Departmental plans to achieve the Council's strategic aims.

It forms the financial framework within which the Council will develop its Business and Service Plans, which should be affordable, sustainable and align with the Financial Regulations.

The MTFP has been developed through the analysis and extrapolation of a combination of financial information, organisational targets and goals together with assumptions and predictions. It is heavily influenced by the intensive annual Estimates process, feedback from and out workings of the Transformation and Efficiency Group, understanding the requirements of the Capital Plan alongside decisions taken by Council regarding the timing and delivery of efficiencies as part of the Rate setting process.

The Council has faced significant financial challenge and uncertainty over the past number of years driven largely by external factors such as a global pandemic and economic instability – these have directly contributed to higher inflation, higher interest rates and the cost of living crisis. The associated impact on energy costs, increased cost of raw materials and higher contract costs has led to increased supplier costs, and higher pay demands that could not been anticipated. Whilst inflation has fallen prices have not and they remain higher that before the COVID outbreak in March 2020. These ongoing pressures have been considered in conjunction with the set budget to produce the 2025-26 baseline budget from which the next five years' financials have been forecast.

Aims of the MTFP

The key aims of the Council's MTFP are:

- To ensure that the Council sets a balanced, sustainable budget year by year, so that forecast spending does not exceed forecast resources available to it.
- To plan for a level of district rate income that is fair and affordable for ratepayers and has the financial capacity to deliver the Council's policies and objectives.
- To redirect resources over time to support and resource the priorities of the Corporate Plan
- To maintain sufficient reserves and balances to ensure that the Council's long term financial position remains strong and stable.

The governing principles which provide the basis for the MTFP for 2026/27 to 2030/31 are that:

- The Council's resources will be directed to achieving the overall objectives and key priorities as agreed by the Council and outlined in the Corporate Plan

- The Council will estimate both income and expenditure required for the delivery of services and the gap between income and expenditure will form the baseline against which income generation, savings options and further efficiencies must be implemented.
- The Council will seek in the first instance to balance its revenue budget over the period of the MTFP without reliance on the use of reserves, maintaining departmental spending within approved budgets.
- The Council will continue to focus on delivering value for money - managing service delivery more efficiently, streamlining processes and systems, getting better value from commissioning and procurement, while seeking to minimise the impact of budget savings on priority services.
- The Council will continue to explore opportunities for working in collaboration and partnership in support of the overall objective and key priorities in the Corporate Plan. This may include different service delivery models and sourcing and securing external funding.
- The Council makes decisions on evidence-based information. Senior Officers must take the necessary steps to improve the accuracy and quality of data throughout the Council to ensure that budget and other decisions are taken on a sound financial basis.
- The Council will maintain reserves balances in line with CIPFA recommendations. Reserve forecasts will be reviewed and reported as part of setting the annual rate setting process and at year-end.

Good Practice in Medium-term Financial Planning

- Fully owned by senior leaders and aligned to the strategic vision
- Full participation and ownership from budget holders
- Cover a 5-year period
- Bottom-up approach and linked to business plans and strategies
- Reviewed and updated regularly
- Incorporate aspects of zero-based budgeting
- Align to the capital strategy and reflect revenue consequences of capital investment
- Align to the delivery of efficiencies
- Align to the management of reserves
- Underpinned by a clear set of assumptions
- Rolling and responsive to changes in key assumptions

Strategic Corporate Vision, Values and Priorities

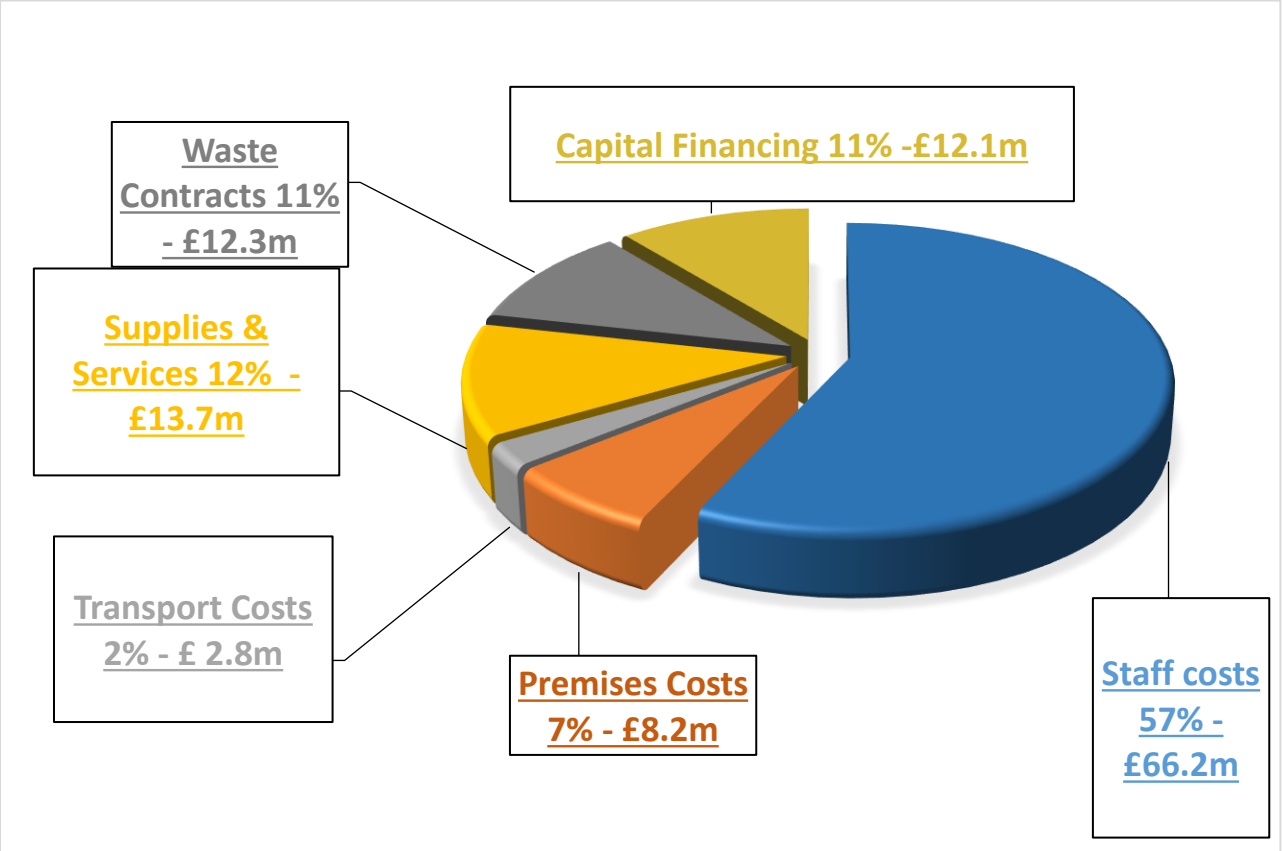
The MTFP recognises the aims and ambitions as set out in the Council's Corporate Plan 2023-2027. This has been accommodated through the identification of pressures and efficiencies following intensive detailed discussions throughout the Estimates process, through the regular provision of monthly financial reports and by the newly established QMS system within the Council (this is a system that records detailed data from all departments, and which is reviewed and analysed monthly by the Council's Executive Management Team to ensure deviations from plans and budgets are addressed).

The MTFP supports the five main priorities within the Corporate Plan as follows:

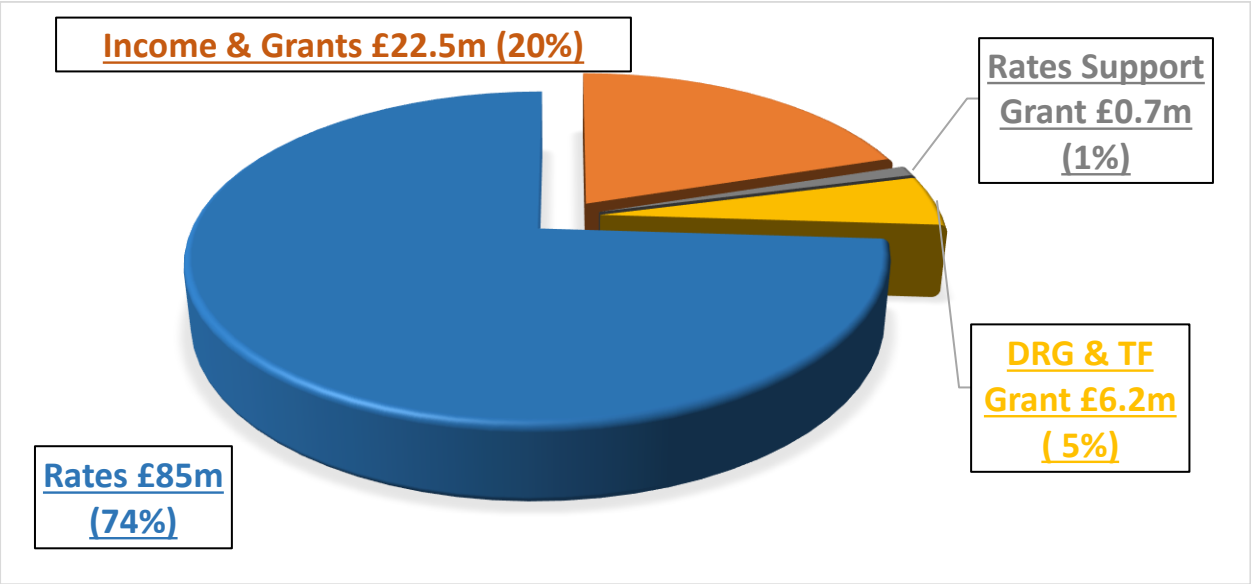
- Environment and Place – commitment regarding the climate agenda and investment to support making the borough a clean, safe and attractive place to live and work.
- Community Wellbeing – to support and empower communities, encourage participate in culture, heritage and the arts and provide opportunities regarding quality of life and wellbeing.
- Economic Growth – provide and facilitate opportunities for growth, support and seek investment, maximise opportunities within the Mid-South West Growth Deal
- Service Delivery – to review services, to seek improvement and to engage with and provide feedback to customers
- Staff, Leadership and Resources – to value, engage with and support staff, civic leaders and communities and to consider opportunities for more efficient use of assets and resources.

2025/26 In-Year Expenditure & Income Budgets

The 2025-26 set budget includes expenditure of circa £104m necessary to deliver Council's annual Business and Services Plans and Capital Plan.



This expenditure will be funded by income raised via District Rates, Grants and Council's own service income.



Treasury Management Strategy

Council's Treasury Management Strategy seeks to manage the long-term borrowings of the council and the short-term cash flow to maximise opportunities for delivering value consistent with the low-risk appetite of the Council. The strategy also sets out how it will fund the requirements of the capital programme. Specifically, to:

- Reduce the cost of debt management;
- Maintain a flexible approach regarding any financial matters that may affect the Authority;
- Keep under constant review advice on investment / repayment of debt policy;
- Maintain a prudent level of volatility dependent on interest rates;
- Set upper and lower limits for the maturity structure of its borrowings and to maintain a reasonable debt maturity profile;
- Ensure that Prudential Limits passed by Council are not breached;
- Ensure that the Treasury Management Policy Statement is fully adhered to in every aspect.

The Treasury Management Strategy, Capital Strategy and corresponding MRP budget are approved annually by Council.

Capital Strategy and Programme

The Council's capital investment programme is aligned with the Corporate Plan. It is reviewed regularly and updated to reflect goals and ambitions, particularly around support for communities and investment for the future and has been structured around the same strategic themes as outlined earlier.

All capital expenditure bids have been assessed using business cases and appraisals and any resulting revenue costs have been captured within the revenue budget. The overall aim has been to ensure the Capital Investment Strategy is affordable, reflects strategic priorities across Council and achieves the vision set out in the Corporate Plan.

Key Features of the funding of the capital programme are:

- Funding from capital borrowing, capital receipts, grants and other contributions
- Earmarked funding from government towards specific projects to be maximised as far as possible and wherever it is consistent with Council priorities
- A specific Minimum Revenue Provision (MRP) budget to meet the financial commitments associated with the ambitious capital investment programme.

Since 2018, a net capital spend of £80.6m has been invested in capital projects throughout the borough with a further spend on committed projects of £20.5m. With further ambitions to undertake projects with a capital spend of circa £80m. Some of the proposed investment will be supported by central Government funding which has been made available to Councils for investment in infrastructure. As further projects are identified and have been carefully assessed through internal processes, they will be added to the Capital Programme following approval by Council.

Capital Investment

The funding landscape is changing, with the government recognising the economic differences between various parts of the UK and providing billions of pounds of 'Levelling-Up' funding to be spent on infrastructure, regeneration, community renewal and job creation.

When developing bids to access this funding, consideration will be given to infrastructure needs across transport, regeneration and cultural investment. Current funding streams available include:

- Levelling-up
- Mid-South West / Growth City Deal
- Complimentary Fund
- Peace Plus
- Shared Prosperity
- Digital Surge & Flexible Fund

The funding will come from various sources including:

- UK Government
- The Executive Office
- Businesses / Universities
- Council Contribution / Match Funding
- National Lottery Heritage Fund

Whilst the funding is mainly of a capital nature and will be invested in capital projects over the next 5 to 10 years, there is a revenue impact in buying in the expertise needed to help develop the bids and resourcing the teams needed to manage the multi-million pound projects. This is likely to cost upwards of £3m over the next 5 years.

While acknowledging the enormous benefit this investment will bring to the borough and its citizens, the financial cost to Council over the next 10 years will be significant, capital match funding of upwards of £15m plus the related revenue funding. These new projects will be in addition to the existing Capital Plan and costs will need to be carefully considered in conjunction with the annual budget setting process and reserves monitored to ensure Council remains financially resilient.

5 Year Financial Forecast

The 5-year Financial Forecast demonstrates how the delivery of services will be financed over the medium term while highlighting areas where and years when financial pressures might arise.

Emerging pressures have been considered in conjunction with the normal rates setting process to arrive at the 2025-26 budget from which the next 5 years' financials have been projected.

	BUDGET	FORECAST OUTTURN				
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Revenue Budgets	£m	£m	£m	£m	£m	£m
Env Services & Sustainability	35.2	35.5	35.9	36.7	37.6	38.5
Devel. Community & Wellbeing	17.6	18.1	18.5	18.9	19.3	19.7
Deputy Chief Executive	9.2	9.2	9.4	9.6	9.8	10.0
Chief Executive	5.5	5.7	5.8	5.9	6.0	6.2
Reg Servs, Facilities & Assets	12.9	13.7	14.0	14.3	14.7	15.0
Other Corporate Funding	0.3	0.3	0.3	0.3	0.3	0.3
Gross Directorate Budget	**80.8**	**82.5**	**83.8**	**85.8**	**87.7**	**89.7**
Corporate Pressures	7.0	**7.1**	**7.0**	**6.9**	**6.9**	**6.9**
Directorate Pressures	2.3	**2.5**	**2.3**	**2.4**	**2.4**	**2.5**
Efficiencies / Transformation	(5.9)	**(4.5)**	**(4.7)**	**(4.7)**	**(4.7)**	**(4.7)**
Net Directorate Budget	**84.2**	**87.6**	**88.4**	**90.4**	**92.3**	**94.4**
Financing of Capital Expenditure (MRP)	12.1	12.5	12.8	13.1	13.5	14.0
Total Budget	**96.2**	**100.1**	**101.2**	**103.5**	**105.8**	**108.4**
Funded by:						
Rates Support Grant	0.7	0.3	0.2	0.0	0.0	0.0
Other Central Government Grants	6.0	5.8	5.8	5.8	5.9	5.8
Domestic Rates Income	55.5	58.2	59.0	60.5	61.9	63.6
Non-Domestic Rates Income	34.0	35.7	36.2	37.1	38.0	39.0
Balance Applied from Reserves	0.0	0.0	0.0	0.0	0.0	0.0
Council Funding	**96.2**	**100.1**	**101.2**	**103.5**	**105.8**	**108.4**
Funding Increase Required	**3.4**	**3.84**	**5.00**	**3.38**	**4.52**	**4.93**
Inidicative Rates Increase	**3.9%**	**4.0%**	**5.2%**	**3.4%**	**4.5%**	**4.8%**

While growth of in and around 1.0% has been assumed for domestic rates an analysis of financial information from Land & Property Services suggests on average there has been minimal change across the non-domestic sector over the past few years i.e. it has remained relatively flat. There is also a real risk that some businesses might fail in the medium term because of economic conditions, uncertainty, lack of consumer confidence and increasing business cost (e.g. the recent increase in Employers National insurance contributions effective from April 2025) – the impact of this could be a subsequent loss of rates income for the Council. Therefore, no growth in the non-domestic sector has been included in 2025/26 budgets and only minimal growth has been assumed moving forward over the next number of years; as such, the forecast funding deficits over the next 5 years indicate the annual increase necessary to fund the rising costs before considering other options.

In order to balance the budget in the medium term, various options to increase revenue, controlling and cutting costs and generating savings will have to be considered, such as:

- Increase annual rates
- Increase charges for services
- More efficient delivery of services through departmental collaboration
- Vacancy control
- Transformation
- Collaboration with external suppliers regarding service delivery
- Reduction and/or cessation of service delivery
- Consider regarding use of reserves to meet one-off costs

Key Assumptions used in the financial forecast:

- Income
    - Whilst adjustments have been made for reductions in the Rates Support Grant (RSG) it is assumed that other Grant income will remain relatively steady with no anticipated significant reduction
    - Service income will remain steady over the medium term and increase broadly in line with inflation.
    - The introduction of a new Government waste initiative (pEPR) will result in additional income to Council from 2025/26 which is intended to be reinvested in green solutions to waste management going forward. The recurrent nature of this funding stream is at present unknown and should become clearer over the next few years.
- Employee Costs
    - Employee costs have risen higher proportionally as a percentage of overall expenditure in recent years (adjustments have already been made for these costs within existing budgets) but it is anticipated the situation will settle down and revert to normal inflationary pressures moving forward (inclusive of employer's NI and pension costs)

- Transport Costs
    - Fuel costs have stabilised since their peak following the war In Ukraine and there still remains uncertainty and unrest in various countries and regions across the world there is no immediate or pending threat to fuel prices. Therefore, the assumption used is that prices will rise in line with inflation but with a minimal buffer built in for unexpected events. The Council has purchased a number of new vehicles recently for its Waste Collection and Grounds Maintenance fleet and it the expectation is that these new, more fuel-efficient vehicles will help generate savings for Council in its fuel bill.
- Supplies & Services
    - Inflationary increases assumed on all supplies and services including goods and services and the cost of contracts
- Rates Base
    - Domestic growth of 1% annually
    - Non-Domestic of 0.1% annually

It is important to note that although the Council has agreed the resources required to fund service delivery in 2025/26, the underlying economic and financial environment is very fluid and difficult to predict and hence the five-year forecast is subject to review and change in forthcoming years. However, the current forecast is as robust as it can be and in addition to the key assumptions above it will be necessary to carefully monitor interest rates, inflation, funding from Central Government, fees and income and the management of reserves.

Reserves Strategy & Financial Stability Measures

The Council has a statutory obligation to ensure it maintains an adequate level of reserves and to ensure they are monitored and maintained at reasonable levels. CIPFA requires a minimum balance to be maintained at all times to ensure Council is financially resilient enough to continue to provide uninterrupted service delivery in the short-term.

The level of the general reserve must be over and above the CIPFA minimum balance and of an adequate level to ensure longer-term financial stability and mitigate against the impact of unexpected future events or developments that may cause financial difficulty.

The Council has approved a number of earmarked reserves to support continued investment in the borough and to minimise the impact on local ratepayers through the use of one-off funding. Allocating reserves for specific purposes is deemed to be an appropriate mechanism to ensure the availability of funding to meet unavoidable financial pressures and help ensure future rates increases are kept as low as possible.

The table below shows the main types of reserves held and their balances as at 31 March 2024 and projected year-end positions going forward.

Council Reserves

	POSITION	FORECAST					
Year-end March	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Development Fund & Investment in the Borough	3.9	3.9	3.7	3.0	2.5	2.5	2.5
MSW - Growth City Deal / Levelling Up	1.1	1.1	1.9	2.4	3.6	1.9	0.1
Financial Assistance Policy	1.1	1.1	0.9	0.7	0.5	0.3	0.1
Backlog Maintenance	1.9	1.9	1.5	1.5	1.5	1.5	1.5
Insurance Fund	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Capital Reserves	18.9	21.5	19.4	13.4	10.4	5.9	1.4
pEPR (Extended Producer Responsibility)	0.0	0.0	3.7	4.2	4.4	2.4	0.4
Other Earmarked Reserves	2.0	2.8	1.7	1.1	1.0	1.8	1.7
Emerging Pressures	0.0	2.0	1.0	1.0	1.0	1.0	1.0
CIPFA Minimum Balance	9.0	9.0	9.0	9.0	9.3	9.5	9.5
General Fund	22.5	21.5	18.8	16.4	13.4	10.4	8.1
Total Useable Reserves	**62.0**	**66.4**	**63.1**	**54.3**	**49.1**	**38.7**	**27.9**

Financial Dashboard

		BUDGET	FORECAST				
		2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**
		£m	**£m**	**£m**	**£m**	**£m**	**£m**
NET COST	REVENUE	84.2	87.6	88.4	90.4	92.3	94.4
	CAPITAL MRP	12.1	12.5	12.8	13.1	13.5	14.0
	TOTAL	**96.2**	**100.1**	**101.2**	**103.5**	**105.8**	**108.4**
FUNDING	GOVERNMENT	6.6	6.1	6.0	5.8	5.9	5.8
	RATES	89.6	93.9	95.2	97.6	99.9	102.5
	RESERVES	0.0	0.0	0.0	0.0	0.0	0.0
	TOTAL	**96.2**	**100.1**	**101.2**	**103.5**	**105.8**	**108.4**

INCOME	**22.5**	**22.3**	**22.6**	**23.0**	**23.3**	**23.7**
EXPENDITURE	**103.3**	**104.3**	**106.5**	**108.7**	**111.0**	**113.3**
CAPITAL BUDGET	**12.1**	**12.5**	**12.8**	**13.1**	**13.5**	**14.0**
EFFICIENCIES	**(5.9)**	**(4.5)**	**(4.7)**	**(4.7)**	**(4.7)**	**(4.7)**
INDICATIVE RATES INCREASE	**3.9%**	**4.0%**	**5.2%**	**3.4%**	**4.5%**	**4.8%**