

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – THURSDAY, 9 JANUARY 2025



<b>Title of Report</b>	<b>DRAFT 2025/26 ROBUSTNESS OF BUDGET ESTIMATES</b>	
<b>Presented by</b>	Councillor Nicholas Rushton Corporate Portfolio Holder	
		PH Briefed <input type="checkbox"/> Yes
<b>Background Papers</b>	None	<b>Public Report:</b> Yes
		<b>Key Decision:</b> Yes
<b>Financial Implications</b>	In accordance with statutory requirements the report provides the Section 151 Officer’s advice on the robustness of budget estimates and the adequacy of reserves in the draft budget.	
	<b>Signed off by the Section 151 Officer:</b> Yes	
<b>Legal Implications</b>	The Council’s Section 151 Officer is required to prepare this report under Section 25(1) Local Government Act 2003.	
	<b>Signed off by the Monitoring Officer:</b> Yes	
<b>Staffing and Corporate Implications</b>	None.	
	<b>Signed off by the Head of Paid Service:</b> Yes	
<b>Purpose of Report</b>	To advise Cabinet on the robustness of the estimates in the budget and the adequacy of the proposed financial reserves.	
<b>Reason for Decision</b>	To ensure the Council meets its statutory requirements when considering its budget.	
	Required as part of the budget setting process for 2025/26 to ensure compliance with the Budget Framework as set out in the Council’s Constitution.	
<b>Recommendations</b>	<b>THAT CABINET NOTES THE S151 OFFICER’S ADVICE SET OUT IN SECTION 7 AND CAREFULLY CONSIDERS THE CONTENT OF THIS REPORT AS PART OF APPROVING THE GENERAL FUND BUDGET REPORT 2025/26, THE HOUSING REVENUE ACCOUNT BUDGET 2025/26 REPORT AND THE CAPITAL STRATEGY AND TREASURY MANAGEMENT STRATEGY 2025/26.</b>	

## **1.0 BACKGROUND**

- 1.1 Section 25(1) of the Local Government Act 2003 (the “2003 Act”) requires that the Chief Financial Officer (Section 151 Officer under the Local Government Act 1972) reports to the Council when setting its Council Tax on:
- the robustness of the estimates in the budget.
  - the adequacy of the proposed financial reserves.
- 1.2 Section 25(2) of the 2003 Act requires the Council to have regard to this report in approving the budget and Council Tax.
- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code reinforces this requirement stating that the statement in relation to the proposed financial reserves should consider whether the level of general reserves is appropriate for the risks (both internal and external) to which the Council is exposed and give reassurance that the authority’s financial management processes and procedures are able to manage those risks.
- 1.4 While the statutory local authority budget setting process continues to be on an annual basis, a longer-term perspective is essential if local authorities are to demonstrate their financial sustainability.

## **2.0 CONTEXT**

- 2.1 The Council is setting its budget at a time when it continues to face a range of issues to contend with. In broad terms these can be split into three categories: economic, local government and locally in North West Leicestershire. Each of these is explored below:

### Economic

- 2.2 The recent report by the Office of Budget Responsibility (OBR) in respect of the Economic and Fiscal Outlook describes how the economy is expected to grow by just over 1% this year rising to 2% in 2025 before falling to 1.5%, slightly below its estimated potential growth rate of 1 ⅓ % over the remainder of the forecast. The recent decisions made in the Government’s Autumn Budget 2024 should push up inflation by around ½ a percentage point at their peak, meaning it is projected to rise 2.6% in 2025, and then gradually fall back to target.

### Local Government

- 2.3 Local governments in the UK are grappling with a range of financial challenges that impact their ability to deliver essential services and support their communities. Since 2010-11 core funding for local government has fallen significantly, forcing councils to make difficult decisions about which services to prioritise.
- 2.4 The demand for local government services, particularly in social care, housing and homelessness has increased substantially. An aging population and

rising numbers of vulnerable individuals mean that councils are under pressure to provide more support with fewer resources.

- 2.5 Local Government Association (LGA) analysis shows that by 2026/27 these pressures will have increased the cost of delivering services by 12.% since 2024/25, leaving councils facing a funding gap of £6.2bn across 2025/26 and 2026/27 just to sustain services at 2024/25 levels. These pressures come on top of the fact that councils have already absorbed a 22.2% real terms reduction in core spending power from 2010/11 to 2024/25.
- 2.6 The scale of the pressures facing the sector was demonstrated in February 2024 when the then Department for Levelling Up, Housing and Communities took the unprecedented step of announcing that 18 councils would receive Exceptional Financial Support in 2024/25 to address financial pressures that the councils considered unmanageable. All but two of these councils had social care responsibilities. This meant that the sector entered 2024/25 with more than one in 10 social care councils dependent on a significant one-off relaxation of the financial framework to secure their financial sustainability. The sheer scale of this intervention by the Government indicates the risk of financial failure is potentially becoming systemic.
- 2.7 The LGA is calling for the need for a significant and sustained increase in overall funding to stem the emerging risk of system-wide financial failure and to ensure that councils can meet growing demand for the vital services needed by their communities.
- 2.8 The Housing, Communities and Local government Committee has launched an inquiry looking at whether the local government finance system in England is fit for purpose, recognising that the state of many councils' finances in England is at breaking point.
- 2.9 The Autumn Budget 2024 announced in October 2024 contained some important funding announcements for local government in 2025/26 including:
  - a 3.2% real-terms increase in Core Spending Power for the whole sector in 2025/26. This includes £1.3bn additional grant funding, of which at least £600m will be directed to social care.
  - £233m new funding for homelessness prevention. This is in addition to the £1.3bn grant funding.
  - £1bn to extend the Household Support Fund and Discretionary Housing Payments into 2025/26.
  - £1.1bn new funding through implementation of the Extended Producer Responsibility scheme for recycling.
- 2.10 The additional funding support for homelessness is welcome, however, the Government has not acted to increase the housing benefit subsidy cap for temporary accommodation or to uprate Local Housing Allowance rates again. This is likely to mean that significant temporary accommodation financial pressures will remain for councils.
- 2.11 Ahead of the Provisional Local Government Finance Settlement, the Government released a Policy Statement 2025 to 2026 on 28 November 2024. It set out the Government's intentions for the Local Government Finance Settlement 2025/26, alongside longer-term plans for reforming local

authority funding. It also confirms that 2026/27 will be the first multi-year funding settlement for local government in 10 years.

- 2.12 In addition, the Statement confirmed that all local authorities will see at least a 3% increase in their Core Spending Power before any decision they make about organisational efficiencies, use of reserves and Council Tax levels through a funding guarantee. Core Spending Power includes revenue from Council Tax, business rates, grants and other sources.

#### Local – North West Leicestershire

- 2.13 The Council continues to face significant pressures. The latest forecast for 2024/25 indicates that the Council must incur agency costs to fill essential positions and ensure service delivery. This challenge is not unique to North West Leicestershire; it is a national issue highlighted in a recent LGA report. Specific difficulties are evident in the planning and finance departments, with particular challenges in recruiting key technical finance roles.
- 2.14 Forecasting income from planning remains challenging due to the volatility in planning applications. The budget proposals for 2025/26 aim to address the issues identified in 2024/25. This includes addressing the pay award, adjusting the budget for unachievable income targets in specific services, and investing in corporate services to support recruitment and retention. While the government has acknowledged the pressures on homelessness, additional funding will not be available until 2025/26.
- 2.15 The overspend for 2024/25 can be funded from reserves. Historically, the Council has relied on reserves to fund ongoing expenditure, a strategy that is not sustainable. Sustainable financial management requires long-term planning and budgeting. Reliance on reserves in previous years has hindered the development of a balanced budget and long-term financial strategy. However, the budget proposals for 2025/26 will contribute to putting the Council on a stable footing regarding its finances.
- 2.16 The multi-year settlement due to be announced in 2026/27 will provide the Council with some certainty on the funding available over the medium-term from which it can develop a robust medium term financial plan. The one-year settlements seen in recent years have hampered medium-term financial planning for the sector.
- 2.17 The Council's external auditors recently issued disclaimed opinions in respect of the financial statements for 2021/22 and 2022/23, however, they did not highlight a risk of significant weakness in arrangements for financial sustainability.
- 2.18 The highest financial risk as Government has indicated is that it is looking to reset the business rates growth baseline and redistribute resources to councils across the country. This is alongside the funding review which is expected to be implemented in 2026/27.
- 2.19 The Council continues to review its financial management arrangements, with a focus on improvements to the financial system to improve reporting.

### **3.0 DRAFT FINANCIAL STRATEGIES AND POLICIES**

3.1 To ensure the Council has clarity on its financial management objectives it is imperative to have a clear financial strategy in place for the short, medium and long term. As part of setting the Budget for 2025/26 and beyond the following guiding principles have been developed for the budget setting approach:

- Financial Stability and Sustainability
- Resources Focussed on Priorities
- Maximising Sources of Income
- Managing Risk

#### Capital Strategy

3.2 The Capital Strategy has been significantly enhanced to make it fit for the future. To provide greater accountability, governance, and due diligence of the capital programme the Capital Strategy was updated in 2022 to improve the way the Council manages its capital schemes through their life cycle by splitting the programme into an Active Programme for 'in flight' schemes and a Development Pool for schemes at business case stage. A Capital Strategy and Investment Group, chaired by the Strategic Director of Resources has been in operation for over two years and oversees this process and proposes schemes through the Council's governance for formal approval by Cabinet or Council in line with the Council's Constitution.

#### Treasury Management Strategy

3.3 The Treasury Management Strategy has been refreshed and improved in line with required national guidance to ensure the Council is appropriately managing risk in both its borrowing and investment portfolios. The introduction of the liability benchmark indicator which measures the Council's future borrowing liabilities to fund its capital investment against how these will be financed either through external borrowing or by using our surplus cash resources (internal borrowing).

#### Corporate Charging Policy

3.4 The Corporate Charging Policy, which contains the Council's fees and charges, reflects the Council's financial strategy and provides greater clarity for service users on the rationale for future changes in levels of fees and charges. The draft budget includes a range of proposed amendments to fees and charges, where it is appropriate to do so, in line with the Policy, which includes an inflationary increase in line with the Consumer Price Index.

### **4.0 DRAFT GENERAL FUND BUDGET 2025/26**

4.1 High levels of inflation, recruitment and retention and continued demand for services present challenges for the Council.

- 4.2 There will be a one-year funding settlement for 2025/26 with a core referendum principle of 2.99%. Additional funding announced in the Government's Autumn Budget 2024 and confirmed in the Provisional Finance Settlement 2025/26 are welcome.
- 4.3 The forecast outturn position for the general fund revenue budget 2024/25 is an operating deficit of £2.1m This is largely due to the pay award for 2024/25, agreed in November 2024, being higher than originally estimated. There are pressures on homelessness, not meeting income targets in respect of planning and the Council's rental units, couple with costs of agency spend to ensure recruitment to key positions within the Council to ensure service delivery.
- 4.4 In setting the budget for 2024/25, key strategies were applied to budget development, and these have continued for the budget process for 2025/26. These include:

Guiding Principles	Strategies for Developing Budget 2025/26 and MTFP 2025-30
Financial Stability and Sustainability	<ul style="list-style-type: none"> <li>Plan ahead for potential Government funding changes (including Business Rates Reset)</li> <li>Do not become overly reliant on Business Rates funding for on-going service provision</li> <li>Use future surpluses in Business Rates funding for future one off investment to reduce ongoing revenue costs or generate income</li> </ul>
Resources Focussed on Priorities	Align resources to Council Delivery Plan objectives
Maximising Our Sources of Income	Fees and Charges maximised in accordance with the Corporate Charging Policy (increased by inflation)
Managing our Risks	<ul style="list-style-type: none"> <li>Acceptable level of risk tolerance</li> <li>Review of reserves strategy and position</li> </ul>

- 4.5 The forecast medium term position is set out in the table below.

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Net Revenue Expenditure	18.878	18.868	19.135	19.385	19.761
Funding	18.878	18.457	17.663	16.911	16.266
Surplus/(Deficit)	0	(0.411)	(1.472)	(2.473)	(3.494)

- 4.6 The position shows a balanced budget for 2025/26 and a forecast funding gap of £3.5m by 2029/30. Whilst the funding gap has closed in the short-term, the forecast illustrates a widening funding gap towards the end of the decade. The funding forecasts are based on the latest information available to the Council at this time.

- 4.7 The primary reasons for the forecast funding gap are pay, inflationary, and service demand pressures on the Council's cost base and anticipated changes to its funding streams arising from promised Government funding changes to local authorities as a result from a reset of growth from the business rates retention scheme, fair funding review and New Homes Bonus.
- 4.8 There still remains a significant risk facing the Council on its revenue budget, which is the potential Government funding changes, particularly in relation to a reset in growth from the business rates retention scheme. This is due to the fact that North West Leicestershire has seen the biggest growth above its business rates baseline in all local authorities in England. The proposed changes to the funding mechanism for local government, published alongside the Provisional Local Government Finance Settlement, will have to be assessed over the coming weeks to determine their potential impact on the Council's other core funding elements.
- 4.9 The latest indication is that the earliest a business rates reset could happen is 2026/27. The previous Government has been delaying implementation for several years now, however, the current Government is committed to the reset. When this funding change is implemented, there is likely to be an element of transitional protection to assist those councils like North West Leicestershire, to manage reduced funding over a period of time. This transitional protection is included in the medium-term forecasts show in paragraph 4.5 above.
- 4.10 The Council will continue to use the guiding principles set out in paragraph 4.4 above to plan for any potential Government funding changes and ensure that the funding gap this could create in its revenue budget is appropriately managed. The Government has indicated that the Provisional Local Government Finance Settlement will mark the start of a period of consultation regarding the funding regime for the sector.
- 4.11 The Draft Revenue Budget for 2025/26 is balanced.
- 4.12 The figures included for the funding are estimates based on the Provisional Local Government Finance Settlement and latest intelligence.
- 4.13 The Capital Programme has been developed in line with the guiding principles and a substantially improved Capital Strategy:
- The existing capital programme has been split into Approved schemes and Development Pool schemes as per the previous two financial years.
  - No new borrowing, over and above that approved in the 2023/24 budget, is proposed to fund the capital programme. This is to ensure the Council does not create additional revenue pressures in the future arising from interest and capital repayment costs.
  - The funding source for schemes over the medium term is capital receipts (£21k), government grants (£4,558k), business rates reserve (£14,477k) and revenue contributions (£22k).
  - Schemes in the Development Pool will be worked up in more depth through the governance arrangements set out in the Capital Strategy and Constitution.

4.14 The draft budget is based on the Council having the following levels of reserves.

	<b>Estimated Balance 1/4/25 £'000</b>	<b>Change during 2025/26 £'000</b>	<b>Estimated Balance 31/3/26 £'000</b>
General Fund - Minimum Level of Reserves	1,544	0	1,544
Earmarked Reserves	4,842	(408)	4,433
MTFP Reserve	4,678	(195)	4,483
Business Rates Reserve	13,193	1,804	14,997
<b>Total</b>	<b>24,256</b>	<b>1,201</b>	<b>25,457</b>

4.15 As part of preparing the reserves for the draft budget the following should be noted:

- The minimum level of reserves has been risk assessed and is considered to be set at an appropriate level.
- Earmarked reserves have been reviewed to assess if the risks/commitments continue to exist and if the amounts are still appropriate.
- The MTFP Reserve will be used for managing risks over the medium term, which includes investing in projects to make the Council more efficient, reduce its revenue costs, generate income and fund the capacity for the Council to deliver its financial plans. In addition, the Council's MTFP reserve was set up to manage deficits and funding volatility. It was created to ensure financial stability and sustainability over the medium term. It helps the Council manage financial risks and uncertainties such as economic fluctuations and unexpected expenditures
- The Business Rates Reserve includes the additional business rates revenues from growth in the district (including contributions from Business Rates Pool and Freeport) in excess of that included in the revenue budget to fund on-going services. This additional growth will be prioritised to fund the capital programme and projects. The latest forecasts indicate continued strong growth and the forecast balance on the reserve is higher than that forecast 12 months ago.

## **5.0 DRAFT HOUSING REVENUE ACCOUNT BUDGET 2025/26**

5.1 The Housing Revenue Account (HRA) is a ringfenced account for the operation of the Council's housing stock. The Council has 4,181 homes. The budget for the HRA is also experiencing the inflationary pressures seen in other areas of the Council's budget, particularly on its staffing, maintenance, and capital budgets.

5.2 In 2012, the Council took on the debt associated with its housing stock under the nationally HRA Self Financing initiative. As part of this a 30-year business plan was developed. A core component of the business plan is for



the HRA to repay the self-financing borrowing by 2042. The Council should continue to make provision in its HRA to repay this outstanding borrowing.

5.3 The forecast outturn position for the HRA budget 2024/25 is an operating surplus of £1,445k.

5.4 The position shows a balanced budget for 2025/26. The table below provides a summary of the changes.

	<b>2024/25</b>	<b>2025/26</b>	<b>Movement</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Income	-21,613	(21,020)	592
Operating Expenditure	20,168	19,053	(1,115)
<b>Operating (surplus)/deficit</b>	<b>(1,445)</b>	<b>(1,968)</b>	<b>(523)</b>
Appropriations	4,063	1,906	(2,157)
<b>Net (surplus)/deficit</b>	<b>2,618</b>	<b>(62)</b>	<b>(2,680)</b>

5.5 The draft HRA budget for 2025/26 shows an operating surplus of £1,968k. This is a £523k increase from 2024/25.

5.6 The appropriations in the table are the use of the HRA working balance to fund the capital programme as well as contributing to the loan repayment reserve. These appropriations are significantly lower in 2025/26 as the HRA balance has a lower capacity to fund capital.

5.7 The HRA Capital Programme is planned to spend £15,578k in 2025/26. Based on previous years' experience this is an ambitious level of estimated spend. The area of the capital programme at greatest risk of delay is the Housing Improvement Programme.

## **6.0 ROBUSTNESS OF BUDGET ESTIMATES AND ADEQUACY OF RESERVES**

6.1 The table below provides an assessment of the key risk areas to determine the robustness of the estimates and adequacy of reserves included in the General Fund and HRA budgets:

Area	Y/N	Comments
<p>Is performance against the current year's budget on track and where variances are evident, ongoing and unavoidable, are they appropriately reflected in the plans?</p>	<p>Y</p>	<p>The 2024/25 financial monitoring is showing a projected overspend of £2.1m on the General Fund and £1,445k surplus on the HRA. The significant pressures are in respect of agency costs due to recruitment and retention across all services. Planning income is somewhat unpredictable so the final outturn may be different.</p> <p>The on-going and unavoidable pressures, alongside potential reductions in reserve levels, have been factored into budget plans for 2025/26 and the medium term.</p> <p>Whilst the General Fund Deficit is significant, the Council has sufficient reserves to mitigate the overspend. The Medium-Term Financial Plan Reserve was developed to smooth the volatility of budgets whilst the Council seeks to become financially sustainable through this period of financial challenges such as pay awards, high inflation and rising demand for services.</p>
<p>Are arrangements for monitoring and reporting performance against the savings plans robust?</p>	<p>Y</p>	<p>In recent years the Council has not been required to make significant savings to maintain its financial position. Therefore, clear savings plans, and delivery has not been required.</p> <p>To support closing the funding gap over the medium-term, the Council has developed a Transformation Programme that will deliver savings to services, as well as improvements to service delivery.</p> <p>There are a range of budget options proposed for the General Fund Budget 2025/26. Delivery of savings/efficiencies will be monitored throughout the financial year and reported to stakeholders alongside the financial monitoring reports on a quarterly basis, this being a key recommendation outlined in the external auditor's report for the 2022/23 Statement of Accounts. The Transformation Programme has monitoring and tracking arrangements to ensure that projects are delivering against intended outcomes. These are reported as part of the quarterly performance reports to Members.</p>

The reasonableness of the underlying budget assumptions	Y	<p>All budget proposals have been justified by service managers, reviewed by finance and subject to budget challenge sessions in the new process.</p> <p>External review has also been undertaken by the treasury advisers, Arlingclose, on the Treasury Management Strategy.</p>
The alignment of resources with the Council's service and organisational priorities	Y	<p>Resources are aligned to the current priorities of the Council.</p> <p>A new Council Delivery Plan (CDP) has been developed and was approved by Council on 14 November 2023. The CDP is aligned to the resources available, and risks faced by the Council.</p> <p>The Council's ambition to be carbon neutral by 2030 is likely to require additional investment, however, the Council will look to maximise grant funding made available to it to support this priority. An exercise to identify the costs of getting to net zero is ongoing.</p>
A review of the major risks associated with the budget	Y	<p>The major risks within the budget have been assessed and are set out in the budget report, including mitigations and strategies about how these are being managed. This includes where uncertainties exist such as the funding for the roll-out of food waste and future years funding for the Extended Producer Responsibility payment.</p>
The availability of un-earmarked reserves to meet unforeseen cost pressures	Y	<p>The Council has a minimum level of reserves for both its General Fund (£1.5m) and HRA (£1m). In the Audit Commission's 'Striking a Balance' report published in 2012, the majority of Chief Finance Officers at the national level regarded an amount of between three and five per cent of council's net spending as a prudent level for risk-based reserves. Over the medium term the Council's forecast figure is 8%.</p> <p>The General Fund position has been risk assessed to take account of potential unforeseen pressures.</p>
Have realistic income targets been set and 'at risk' external funding been identified?	Y	<p>An assessment of income targets has been undertaken as part of the development of the draft budget.</p> <p>The income areas which have the greatest risk (including business rates, council tax, planning and leisure) have had greater focus</p>

		<p>for this work and focus on the budget challenge sessions. Where income targets have been deemed unrealistic, these have been addressed as part of the 2025/26 budget.</p> <p>Fees and charges have been increased, where it is appropriate to do so, in accordance with the Council's Corporate Charging Policy.</p>
Has a reasonable estimate of demand cost pressures been made?	Y	The enhanced budget process used in the development of the draft budget has improved the reasonableness of estimates.
Has a reasonable estimate of future income been made?	Y	The budget proposals presented by services were reviewed by finance and subject to budget challenge sessions.
Have one-off cost pressures been identified?	Y	All pressures have been reviewed to assess if they are one-off or ongoing in nature. One-off proposals are to be funded from reserves. Services will need to ensure exit plans exist for one off expenditure.
Are arrangements for monitoring and reporting performance against the budget plans robust?	Y	<p>For 2023/24, quarterly financial reporting to Cabinet and Scrutiny Committee has been introduced.</p> <p>The finance system has been configured to ensure that services will receive regular budget monitoring information.</p> <p>The Council will also need to enhance its development, monitoring and delivery of its plans to deliver balanced budgets over the medium term.</p>
Is there a reasonable contingency available to cover the financial risks faced by the Council?	Y	<p>The Council has incorporated estimates for pay award, inflation and demand pressures into its budget. It has also made provisions for key income streams not materialising for business rates and council tax.</p> <p>The funding from the Extended Producer Responsibility Payment has allowed the Council to create a contingency budget to meet unforeseen demand pressures and to support a balanced in-year budget position.</p>
Is there a reasonable level of reserves, which could be used to mitigate any issues arising and are they reducing as the risks decrease?	Y	The Council has a range of earmarked, MTFP and minimum levels of reserves to ensure its financial stability.

The strength of the financial management function and reporting arrangements?	Y & N	<p>The Council implemented a new financial system in April 2023 to improve its reporting. Enhancements to the system have been made during the year, however, the Finance Teams are still catching up on delays caused by the system implementation.</p> <p>A review of the Financial Procedures Rules is planned.</p>
Have the previous years Accounts been signed off by external audit to verify balances?	N	<p>The Council's Accounts for 2021/22 and 2022/23 were approved by Audit Committee in December 2024 ensuring the Council meets the backstop dates.</p> <p>The Council is working with the external auditors to agree a timetable for completion of the Statement of Accounts 2023/24.</p>
Has there been a degree and quality of engagement with colleagues and councillors in the process to develop and construct the budget?	Y	<p>There has been a continuation of the improvements introduced to the budget setting process in previous years. This has included a series of budget challenge sessions between the Directors and Heads of Service, as well as engagement with Corporate Leadership Team, Portfolio Holders and Strategy Group, with all Member briefings scheduled.</p>

6.2 There are a number of specific actions arising from the table above that the Council needs to undertake, alongside the delivery of its draft budget, to ensure risks and issues associated with the budget are mitigated. These actions are:

#### Financial Strategy

- The financial strategy set out at paragraph 4.4 above is followed. This underpins the draft budget 2025/26 and provides a stable platform from which to build over the medium term.
- A robust corporate and financial plan is required to bridge the funding gap and ensure the Council can balance its budget over the medium term. This plan is reliant on the delivery of a transformation programme which will focus on being more efficient with the aim of having the same service outcomes at a lower cost. However, it needs to be flexible enough to adapt to potential national changes to local government funding which may require reductions in service levels in the future.
- To ensure this plan is developed and delivered the Council will need to invest in the transformation programme to ensure a structured approach to achieving the desired outcomes.
- Special expense budgets must be in a balanced position for 2025/26.

### Financial Reporting

- Present quarterly financial reports to Cabinet and Scrutiny to promote transparency and accountability of the financial position.
- It is proposed to sign-off both the 2023/24 and 2024/25 Statement of Accounts during the 2025/26 financial year.

### Financial Management and Control

- Implement enhancements to the new financial system to support enhanced reporting for budget holders and improve financial systems and processes.
- Services need to develop exit plans for government grant funding and one-off proposals funded by reserves.
- Continue to review and improve the Council's governance arrangements with a focus on improving the annual audit opinion to reasonable assurance from the current limited assurance.

## **7.0 CONCLUSION**

- 7.1 Based on the assumptions made in its Draft Budget 2025/26 and MTFP 2025-30 for income and expenditure, the Council can set a balanced draft budget for 2025/26.
- 7.2 However, there are a number of risks. The most significant of these for the Council are the timing of a potential reset in business rates and associated changes to the local government finance system as set out in the consultation published alongside the Provisional Finance Settlement.
- 7.3 Whilst the Council's financial position is currently stable and sustainable there are several uncertainties. As such the Council will need to ensure it makes the right decisions in the short term to ensure it is financially stable and sustainable over the medium to long term. This includes maximising all income streams, being more efficient, growing its financial management capability, influencing the risks faced to optimise the Council's future financial viability and delivering on the actions set out at paragraph 6.2.
- 7.4 The single most important action is for the Council to recognise the future risks ahead and start to develop, implement and, most importantly, deliver a medium-term financial plan.
- 7.5 Provided the Council carefully considers and acts upon the analysis in this report, and officers robustly manage the implementation of the Revenue and Capital Budgets, a positive opinion can be given under Section 25 of the Local Government Act 2003 on the robustness of budget estimates and the level of reserves.

<b>Policies and other considerations, as appropriate</b>	
Council Priorities:	The report encompasses the Council's budget, therefore, is relevant to all Council Priorities: <ul style="list-style-type: none"> <li>- Planning and regeneration</li> <li>- Clean, green and Zero Carbon</li> <li>- Communities and Housing</li> <li>- A well-run council</li> </ul>
Policy Considerations:	None.
Safeguarding:	None.
Equalities/Diversity:	There have been equality impact assessments conducted by services on relevant proposals during this period.
Customer Impact:	Customers are likely to be impacted by the changes to fees and charges, Council Tax increase and special expenses precepts set out in this report.
Economic and Social Impact:	The General Fund capital programme allocates £4.6m to investing in Coalville Regeneration Projects over five years. .
Environment, Climate Change and Zero Carbon:	There is £235k investment to support carbon zero initiatives.
Consultation/Community/Tenant Engagement:	The draft budget was considered by Corporate Scrutiny Committee and has been subject to consultation with the public. In addition, the Housing Revenue Account draft budget was subject to engagement with the Tenants' Forum.
Risks:	This report provides the Section 151 Officer's view on the robustness of budget estimates and adequacy of reserves. The report identifies the key risks, provides an assessment of these and proposed mitigating actions to manage those risks.
Officer Contact	Paul Stone Director of Resources <a href="mailto:Paul.stone@nwleicestershire.gov.uk">Paul.stone@nwleicestershire.gov.uk</a>