

| Title of Report                     | 2026/27 ROBUSTNESS OF BUDGET ESTIMATES   |  |
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| Presented by                        | <p>Cllr Keith Merrie MBE<br/>Finance and Corporate Portfolio Holder</p> <p>PH Briefed <input checked="" type="checkbox"/> Yes</p>  |  |
| Background Papers                   | <p><a href="#">Council 20 February 2025: Capital Strategy, Treasury Management and Prudential Indicators</a></p> <p><a href="#">General Fund Budget and Council Tax 2025/26</a></p> <p><a href="#">Housing Revenue Account HRA Budget and Rent Setting</a></p> <p><b>Corporate Scrutiny Committee 22 January 2025:</b><br/><a href="#">Draft Budget 2026/27</a></p>  | <p><b>Public Report:</b> Yes</p> <p><b>Key Decision:</b> Yes</p> |
| Financial Implications              | <p>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.</p>  | <p><b>Signed off by the Section 151 Officer:</b> Yes</p>         |
| Legal Implications                  | <p>The Council's Section 151 Officer is required to prepare this report under Section 25(1) Local Government Act 2003.</p>   | <p><b>Signed off by the Monitoring Officer:</b> Yes</p>          |
| Staffing and Corporate Implications | <p>None.</p>   | <p><b>Signed off by the Head of Paid Service:</b> Yes</p>        |
| Purpose of Report                   | To advise Cabinet on the robustness of the estimates in the budget and the adequacy of the proposed financial reserves.  |  |
| Reason for Decision                 | <p>The requirement for local authorities to produce a robustness of budget estimates report, as stated in Section 25 of the Local Government Act 2003, directly supports the Council's Constitution by upholding principles of sound financial governance and accountability. The Constitution sets out the framework for financial management, including budget preparation, monitoring, and control. By ensuring that the Section 151 Officer formally reports on the adequacy of reserves and the robustness of budget estimates, this statutory obligation reinforces the constitutional duty for transparency, informed decision-making, and prudent stewardship of public funds. It enables Cabinet members to comply with their responsibilities under the Constitution to maintain the Council's financial sustainability and to act in the best interests of residents.</p> |  |

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| <b>Recommendations</b> | <p><b>THAT CABINET:</b></p> <ol style="list-style-type: none"> <li><b>1. NOTES THE S151 OFFICER'S ADVICE SET OUT IN SECTION 7 OF THIS REPORT AND CAREFULLY CONSIDERS THE CONTENT OF THIS REPORT AS PART OF APPROVING THE GENERAL FUND BUDGET REPORT 2026/27, THE HOUSING REVENUE ACCOUNT BUDGET 2026/27 REPORT AND THE CAPITAL STRATEGY AND TREASURY MANAGEMENT STRATEGY 2026/27.</b></li> <li><b>2. CONSIDERS THE CORPORATE SCRUTINY COMMITTEE COMMENTS AND OFFICER RESPONSES AS DETAILED IN APPENDIX A.</b></li> </ol> |
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## 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.

2.2 The current economic climate presents significant challenges for the Council in formulating robust and sustainable budget estimates for 2026/27. Nationally, the UK continues to experience economic uncertainty stemming from moderate GDP growth, persistent inflationary pressures, and fluctuating interest rates.

2.3 The cost-of-living crisis, driven by elevated energy and food prices, continues to impact both households and the Council’s own operating costs. In addition, public sector pay settlements and supply chain disruptions remain key factors contributing to financial pressures across local government.

2.4 These economic headwinds have a direct effect on the Council's income streams, including council tax and business rates, as well as on the demand for local services. The Council is also facing increased costs in service delivery, particularly in areas such as contract price increases, waste management and homelessness support.

2.5 At the same time, local authorities have now faced over a decade without a multi-year financial settlement. In 2025, there was considerable uncertainty regarding the Council's future funding position, particularly in light of the scheduled business rates reset for 2026/27 and the extensive consultation taking place as part of the Government's Fair Funding Review. Consequently, the budget estimates have been prepared with prudent assumptions to ensure the Council's financial resilience and its continued ability to deliver essential services to the community.

2.6 In recent years the Council has seen growth in its business rate income as new companies have moved into the area due to its location and excellent communication links. This has led to the Council being the largest beneficiary in England from the business rates growth retention scheme.

2.7 This presented the Council's highest financial risk as the Government indicated that it would reset the business rates growth baseline and redistribute resources to councils across the country with a fair funding review implemented in 2026. However, the provisional finance settlement 2026/27, published on 17 December 2025, demonstrates that the Council has benefited from growth in business rates, reflecting the positive impact of new businesses moving into the area and its strategic location with excellent communication links. Further details on this are provided in a later section of this report.

2.8 Given the uncertainty prior to the publication of the Provisional Settlement, the financial projections and financial modelling which took place over the summer/autumn 2025 indicated that the Council would have a funding gap over both the short and medium term. On this basis, the Council sought to identify areas of savings to support a balanced budget, details of which are set out in the General Fund Budget and Council Tax 2026/27 report.

2.9 In the period immediately preceding the announcement of the provisional finance settlement, the Council's financial modelling indicated that North West Leicestershire would emerge as a principal beneficiary of funding under the revised funding distribution model. This positive outlook has been underpinned by a prudent approach, with the Council adjusting its forecasts to reflect identified savings and ensuring that budget growth remains sustainable, particularly beyond 2028/29.

2.10 It is important to note that all transitional funding will be withdrawn over the next three years; therefore, restraint must be exercised to avoid over-investment in services that could lead to financial difficulties in future years.

2.11 The funding available for the next three financial years provides the Council with the means to respond to rising cost and service demand pressures, especially in areas such as homelessness and waste management, whilst also replenishing reserves earmarked for the capital programme and reducing the need for borrowing.

2.12 Furthermore, there are opportunities to pursue additional economic investment beyond the current capital programme, including the proposal of a legacy grant scheme to support community projects. Allocations have also been made to cover transitional costs associated with potential local government reorganisation and to provide additional short-term service capacity, enabling delivery of the Council Delivery Plan objectives.

2.13 The Provisional Finance Settlement, set along with the work the Council has undertaken on its transformation programme to make budget savings and efficiencies over the last three years, indicates that there is sufficient funding to enable the Council to set a balanced budget not only for 2026/27, but also for the following two financial years, 2027/28 and 2028/29. The Council Delivery Plan target to be financially sustainable by 2028 should, therefore, be achieved. It should be noted that the 2028/29 financial year may fall under the jurisdiction of a new strategic authority, depending on future local government restructuring. This provides a degree of stability and confidence over the medium term, despite the evolving landscape of local government finance and structures.

### **3.0 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 2024/25 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 Approved Programme for 'in flight' schemes and a Development Pool for schemes at business case stage. A Capital Strategy Group, chaired by the Director of Resources has been in operation for over 12 months and oversees this process and proposes schemes through the Council's governance processes 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 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 GENERAL FUND BUDGET 2026/27**

4.1 High levels of inflation, recruitment and retention, and high interest rates present a challenging and uncertain economic environment.

4.2 The Government's announcement of a multi-year settlement at the time of the Provisional Local Government Finance Settlement 2026/27 provides the Council with much-needed stability and certainty in its financial planning. This longer-term approach enables the Council to align its resources more effectively and deliver on its key priorities as outlined in the Council Delivery Plan. With improved visibility over future funding, the Council is better positioned to make strategic investments, manage risks, and maintain essential services for residents, despite ongoing financial pressures and increasing demand for services.

4.3 It is important to note that, despite previously paid grants such as the New Homes Bonus now being rolled into the Council's mainstream funding arrangements, this does not provide additional resources but rather consolidates existing grant streams into the core settlement. As a result, the Council must continue to manage its finances prudently, recognising that these grant allocations no longer represent extra income but are now embedded within the overall funding total moving forward.

4.4 The Council is in a strong financial position, with sufficient funding available over both the short and medium term to set a balanced budget each year. This means that there is no requirement for additional savings measures or cuts to services, ensuring the continued delivery of essential support to residents. Furthermore, this robust financial outlook enables the Council to introduce a legacy grant funding scheme, providing an opportunity for local communities to bid for funding to support projects of both a revenue and capital nature. This approach not only secures the ongoing sustainability of Council services but also encourages community-led initiatives that can have a lasting positive impact across the area. In addition, the Council can build up its business rates reserve to support the funding of the capital programme.

4.5 Between 2013/14 and 2025/26 business rates pools have been successful across the country, as local authorities were able to collect more business rates than targets set by the Ministry of Housing, Communities and Local Government (MHCLG). Pooling allowed more of this "growth" to be retained locally, as authorities combined to reduce the levy that would normally have been paid across to central government. The reset of the business rates retention scheme for 2026/27 will see revised target amounts for each authority; with the new amounts increased in line with what will be collected and therefore growth removed. With no growth, there is no levy to pay and therefore no gains to be made from pooling. It is expected there will be no business rates pools in England in 2026/27. This view has been backed by the Council's external advisors, with MHCLG also expecting no pools.

4.6 However, while the Council maintains a strong financial position, it is important to note that it will receive transitional funding to support the changes arising from the business rates reset and the fair funding review. A substantial proportion of the Council's funding in the 2028/29 financial year is transitional, and this support will be withdrawn after that year, resulting in a significant 'cliff edge' reduction in funding. This transitional period is intended to allow local authorities to build up business rates growth to help sustain essential services beyond 2028/29.

4.7 The forecast outturn position for the general fund revenue budget 2025/26, as reported to Cabinet on 16 December 2025 is a forecast underspend of £496k. This demonstrates that the Council is managing its budgets effectively. This prudent approach, combined with robust financial planning and the implementation of targeted strategies, reflects sound budget management and supports the ongoing delivery of essential services to the community.

4.8 In setting the budget for 2026/27, key strategies were applied to budget development and these have continued for the budget process for 2024/25. These include:

| Guiding Principles                     | Strategies for Developing Budget 2026/27 and MTFP 2026-30   |
|--|---|
| Financial Stability and Sustainability | <ul style="list-style-type: none"> <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> <li>• Ensure a balanced budget over the short-medium term utilising government funding available</li> <li>• Prepare for the loss of transitional funding beyond 2028/29</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>  |

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

|                          | 2026/27<br>£ | 2027/28<br>£ | 2028/29<br>£ |
|--------------------------|--------------|--------------|--------------|
| Net Revenue Expenditure  | 19,697,602   | 19,164,101   | 20,120,796   |
| Funding                  | (34,293,046) | (34,185,225) | (34,068,593) |
| Contribution to Reserves | 14,595,443   | 15,021,124   | 13,947,797   |

4.10 The position shows a balanced budget for the next three years, providing sufficient financial support to meet inflationary and demand pressures.

4.11 The Council will continue to use the guiding principles set out in paragraph 4.8 to manage its budgets accordingly.

4.12 At the time of publishing the final budget for 2026/27, the Final Local Government Finance Settlement has not been announced. 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 which has been the case since the 2023/24 capital budget.
- 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 government grants (£4.8m), business rates reserve (£13.2m) and revenue contributions (£324k).
- 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 budget is based on the Council having the following levels of reserves.

|  | Estimated Balance<br>1/4/26<br>£'000 | Change during<br>2026/27<br>£'000 | Estimated Balance<br>31/3/27<br>£'000 |
|--|--------------------------------------|-----------------------------------|---------------------------------------|
| General Fund - Minimum Level of Reserves | 1,544                                | 0                                 | 1,544                                 |
| Earmarked Reserves                       | 4,155                                | (580)                             | 3,576                                 |
| MTFP Reserve                             | 7,418                                | (264)                             | 7,154                                 |
| Business Rates Reserve                   | 11,341                               | (267)                             | 11,074                                |
| Legacy Reserve                           | 0                                    | 1,000                             | 1,000                                 |
| <b>Total</b>                             | <b>24,459</b>                        | <b>(111)</b>                      | <b>24,348</b>                         |

4.15 As part of preparing the reserves for the 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, 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.
- 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 ongoing services. This additional growth will be prioritised to fund the capital programme and projects.

## 5.0 HOUSING REVENUE ACCOUNT BUDGET 2026/27

- 5.1 The Housing Revenue Account (HRA) is a ringfenced account for the operation of the Council's housing stock. The Council has approx. 4,100 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 2025/26 is a break-even position.
- 5.4 The forecast medium term position is set out in the table below.

|                                    | 2026/27<br>£ | 2027/28<br>£ | 2028/29<br>£ |
|------------------------------------|--------------|--------------|--------------|
| Income                             | (22,666,833) | (23,563,156) | (24,391,411) |
| Operating Expenditure              | 20,638,655   | 21,713,118   | 22,666,566   |
| <b>Operating (surplus)/deficit</b> | (2,028,178)  | (1,850,038)  | (1,724,845)  |
| Appropriations                     | 2,028,178    | 1,850,038    | 1,724,845    |
| <b>Net (surplus)/deficit</b>       | 0            | 0            | 0            |

- 5.5 The HRA budget for 2026/27 shows an operating surplus of £2,028k. This is an £800k decrease from 2025/26.
- 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.
- 5.7 The HRA Capital Programme is planned to spend £22.6m in 2026/27. 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  |
|--|-----|---|
| 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? | Y   | <p>The 2025/26 financial monitoring at quarter 2 is showing an underspend of £496k on the General Fund and a break-even position on the HRA.</p> <p>The 2025/26 budget includes investments in areas that previously had overspending. Additionally, extra resources have been allocated to departments experiencing increased demand.</p> <p>The on-going and unavoidable pressures, alongside potential reductions in reserve levels, have been factored into budget plans for 2026/27 and the medium term.</p> <p>The Provisional Local Government Finance Settlement provides a multi-year settlement which will ensure that the Council sets a balanced budget over the medium term and is in a position to build its reserves to ensure investment in the capital programme without the need to borrow.</p> |
| Are arrangements for monitoring and reporting performance against the savings plans robust?  | Y   | <p>Prior to the 2024/25 financial year, the Council had not been required to make significant savings to maintain its financial position.</p> <p>To support closing the anticipated funding gap over the medium-term, the Council has developed a Transformation Programme that will continue to deliver savings to services, as well as improvements to service delivery.</p> <p>In addition, there are a range of budget options proposed for the General Fund Budget 2026/27. Delivery of savings/efficiencies will be monitored throughout the financial year and reported to the Corporate Leadership Team and Portfolio Holders 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</p> |

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|   |   | <p>Accounts.</p> <p>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 Cabinet Members.</p>   |
| The reasonableness of the underlying budget assumptions                             | Y | <p>All budget proposals have been justified by service managers, reviewed by the Finance team and subject to budget challenge sessions in the new process. There have also been several budget workshops with Cabinet Members.</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>The Council Delivery Plan (CDP) 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. The Council is aware of the investment required over this period.</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.</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> <p>The Provisional Local Government Finance Settlement provides an opportunity for the</p> |

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|  |   | Council to build reserves to support the capital programme and one-off investment.   |
| 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. The income areas which have the greatest risk (including business rates, council tax, planning and leisure) have had greater focus.</p> <p>Where income targets have been deemed unrealistic, these have been addressed as part of the 2026/27 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 | <p>The budget proposals presented by services were reviewed by finance and subject to budget challenge sessions.</p> <p>The Government's provisional finance settlement enables the Council to set a balanced budget without requiring any additional savings. However, it should be noted that there is likely to be a significant financial challenge, or 'cliff edge', following the end of the current settlement period in 2028/29.</p>   |
| 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 2025/26, portfolio holders were kept informed of the in-year position on a quarterly basis. Directors also held regular meetings with finance teams to ensure a clear understanding of the financial position throughout the year.</p> <p>Unit4 training is required for all budget holders.</p>  |
| Is there a reasonable contingency available to cover the financial risks faced by the Council? | Y | 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.   |

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|  |   | <p>It is prudent 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 | <p>The Council has a range of earmarked, MTFP and minimum levels of reserves to ensure its financial stability.</p>   |
| The strength of the financial management function and reporting arrangements?  | Y | <p>The Council implemented a new financial system in April 2023 to improve its reporting. Enhancements to the system have been made, however, the Finance Teams are still catching up on delays caused by the system implementation. A move to a new supplier for support and maintenance of Unit4 provides an opportunity to enhance the reporting arrangements.</p> <p>Training for all budget holders in the use of Unit4 is planned.</p> <p>A review of the Financial Procedures Rules has been undertaken.</p> |
| Have the previous years Accounts been signed off by external audit to verify balances?   | N | <p>The Council's position in respect of its completion of the Statement of Accounts has been reported to the Audit and Governance Committee. The Statement of Accounts 2023/24 and 2024/25 were published in August 2025 and January 2026 respectively ensuring compliance with the backstop dates.</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 4.8 above is followed. This underpins the budget 2026/27 and provides a stable platform from which to build over the medium term.
- A robust corporate and financial plan is required to 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 2026/27.

### **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 ahead of the Government's backstop date of February 2026.

### **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 CONSULTATION**

7.1 The Corporate Scrutiny Committee considered a draft version of this report at its meeting on 22 January 2026. Appendix A details the comments made by the committee and the officers' responses at the meeting.

## **8.0 CONCLUSION**

8.1 Based on the assumptions made in its Budget 2026/27 and MTFP 2026-30 for income and expenditure, the Council can set a balanced budget for 2026/27.

8.2 The recent reset of business rates and the outcomes of the fair funding review have placed the Council in a strong financial position over the medium term. As a result, the Council is able to set a balanced budget for 2026/27 and the following two years, whilst continuing to meet ongoing cost pressures, such as contract price inflation, pay awards, and increasing demand for services.

8.3 This has been achieved without the need to identify further savings at this time, reflecting the stability and sustainability of the Council's current financial position.

8.4 However, the main challenge will arise after the 2028/29 financial year, when the Council's transitional funding will come to an end. Over the next three years, it will be crucial for the Council to focus on rebuilding its business rates growth to help support the base budget beyond 2028/29. The current funding settlement provides an opportunity, as it enables the Council to replenish its business rates reserve over the medium term. This reserve can then be used to support future investment in the capital programme and any pipeline initiatives the Council may wish to pursue, ensuring continued financial resilience and the ability to respond to emerging priorities.

8.5 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:<br><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 £7.1m to investing in Coalville Regeneration Projects over three years.   |
| Environment, Climate Change and Zero Carbon:             | There is £17.1m investment to support carbon zero initiatives in the HRA.  |
| 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.  |
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