

Statement by the S151 officer on the robustness of estimates and the adequacy of proposed reserves

1. Introduction

- 1.1 The Local Government Act 2003 (Section 25) requires that the chief financial officer (S151 officer) reports the following matters to members when agreeing its annual budget and Council Tax:
- The robustness of the estimates made for the purposes of the budget calculations; and
 - The adequacy of the proposed financial reserves.
- 1.2 For members the Section 25 statement provides critical context for budgetary discussions and in which budget decisions are made.
- 1.3 This statement considers the macroeconomic context within which the Council operates and the medium term financial outlook, the Council's track record on financial management and the adequacy of the estimates contained within the proposed budget for 2026/27. Consideration is given to the risks to the budgetary position for 2026/27 and the adequacy of factors to mitigate those risks including revenue reserves. The overall level of reserves and the level of resilience they provide is also considered.

2. Macroeconomic context within which the council operates and medium-term economic outlook

- 2.1 The Council operates in an extremely challenging macroeconomic environment. Hackney's real terms core funding is projected to fall by 11% between 2010/11 and 2028/29. However, from 2024/25 to 2028/29, it is forecast to increase by 15.6%.
- 2.2 Simultaneously, the Council has faced significant and persistent cost pressures stemming from several factors. These include a higher demand for various services; rising unit costs; the effects of previous Government policy interventions in areas like welfare and Education; a lack of central government action on homelessness; extremely high inflation levels in 2021, 2022, and 2023; and the continued, though considerably reduced, impact of Covid-19. Services particularly affected are adult social care, children's services, support for an ageing population, revenues collection, homelessness, and certain Education services, notably SEND and home-to-school transport.
- 2.3 The 2026/27 to 2028/29 Local Government Finance Settlements (LGFS) have provided more certainty on the resources that the Council will receive over the next three years. Hackney's core spending power (the Government's estimate of our resources) when compared to 2025/26 is projected to rise by £61m by 2028/29 (by 6.2% in 2026/27, 3.8% in 2027/28, and 3.6% in 2028/29), with £33m coming from funding increases and £28m expected from Council Tax.

- 2.4 The Settlements will have a positive impact on the budget gap such that we will be able to set a balanced budget in 2026/27 without using reserves and should have no need for special financial support in this year. However, the ability to set a balanced budget post 2026/27 will depend on various other factors including our spending outturn relative to the budget in each of the three years, our achievement of approved savings over the period and our ability to make further savings.

3. Financial management track record, governance & strategic planning

- 3.1 The Council has a sound track record of financial management and good governance. Despite the reduction in funding, increased demands and cost pressures, the impact of Covid-19 and the cost of living crisis; we have continued to set a balanced budget for many years. Our budgeting is underpinned by budget proposals that are subject to a comprehensive scrutiny process involving the Budget Scrutiny Task & Finish Panel, Cabinet Lead Members, the Corporate Leadership Team and Service Directors. This has been supported by an approach which seeks to mitigate budgetary risks through the deployment of earmarked reserves.
- 3.2 From an external perspective the Council's finances are subject to an external audit regime under which our Annual Statement of Accounts are subject to review and testing by the appointed auditor. The Council has been issued with unqualified opinions for many years up to and including 2023/24. As with most local authorities, failures in the audit market have resulted in delays to the issue of subsequent opinions. At the time of writing auditors findings for 2024/25 have been reported to the Audit Committee. This report highlights that the auditor anticipates issuing an unqualified opinion, without modification, on the financial statements by the end of February, the backstop deadline. There does however remain a risk of change to this assessment until the opinion is issued.
- 3.3 In terms of preparing the 2026/27 budget, we have ensured that the Council has in place, appropriate arrangements and controls to manage the risks and impacts. These include: -
- (a) Extensive Financial Management, Monitoring and reporting. Regular finance updates are provided in the Overall Financial Position (OFP) report to Cabinet and detailed reporting to both the Corporate Leadership Team (CLT) and joint sessions of Cabinet and the CLT on financial planning in the short and medium term.
 - (b) Risk Management. The Council has in place mechanisms for managing risks on savings through relevant risk registers and reviewing delivery on an ongoing basis.
 - (c) Prioritising Resources to Strategic Plan Objectives. The budget report includes a summary of our Strategic Plan and sets out how we continue to invest in line with our priorities. Budget proposals are prepared in the context of our Strategic Plan and risks to delivery that they might pose considered and mitigated where appropriate.

- (d) Equality. The Corporate Leadership Team makes sure that equality underpins all that we do. It also looks to ensure that all equality impact assessments on service and staff impacts are undertaken and details of these are available for review by Members and are published on the Council Website.
- (e) Cumulative Impacts. The budget proposals that underpin the budget are wide-ranging and have been subject to a cumulative impact assessment which is included at Appendix 13 to the budget report. Although this exercise cannot be used to fully protect residents given the level of budget reductions required, we can work to anticipate impacts, plan for them and build them into our new equality plan, wider corporate strategy and transformation work.

3.4 The Council's Objectives as set out in the Strategic Plan are developed on the basis of the best strategic fit between the actual and forecast resources available to meet stakeholder needs and expectations which prevail. There are clear links between Strategic objectives and decisions, the financial implications and the resulting services delivered to local people.

3.5 In order to facilitate the successful implementation of the Council's strategic objectives, we undertake a regular review of the medium term financial plan to ensure that it covers known and projected planning commitments on a rolling basis. We also carry out central budgeting of both revenue and capital expenditure to align with proposed spending.

4. Compliance with the codes and standards

4.1 To demonstrate our compliance with codes and standards in respect of strong financial management we undertake a review of our processes and procedures against the Cipfa Financial Management Code (FM Code) on an annual basis. The Cipfa FM Code provides guidance for good and sustainable financial management in local authorities and assurance that authorities are managing resources effectively. The code applies to all local authorities and by following the essential aspects of the FM Code, local authorities are providing evidence to show they are meeting important legislative requirements in their jurisdiction.

4.2 The code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The FM Code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management. Complying with the standards set out in the FM Code is the collective responsibility of elected members, the Group Director Finance and Corporate Resources (CFO) and colleagues on the leadership team. Complying with the FM Code helps strengthen the framework that surrounds financial decision making.

4.3 Each year as part of the budget setting process we review our arrangements against the Code to demonstrate compliance with the principles of good financial management. This review, attached at Appendix 11, has found that we continue to demonstrate compliance with the principles set out in the FM code and can demonstrate that we are in compliance with all financial management codes and standards thereby giving

assurance that we are managing resources effectively. As part of this year's review we have identified two areas for improvement:

- 1) The Council continues to rely on the unplanned use of reserves to deliver services. The General Fund reserve balances are forecast to reduce to £44.9m by the end of this financial year and the 2025/26 overspend will reduce this still further. It is imperative that we act decisively to reduce the level of spend and contain the draw down on reserves and actions already being taken are set out under relevant FM standards below; and
- 2) There is a weakness in the governance of Housing Services as evidenced by the C3 grading from the Regulator of Social Housing (RSH) and a Housing Ombudsman investigation where some statutory safety checks could not be evidenced. The actions the Council is taking are set out below under the relevant FM standard.

4.4 This year the Council is forecasting an overspend at c£10.3m in response to this we have implemented further measures to tighten control, implement management actions and reduce spend:

- (a) Budget Recovery Board - Established in mid 2024 with an overall objective to mitigate the current year's financial position and improve the Council's ongoing financial sustainability. Following his review of the Board, the Group Director Finance & Corporate Resources has focused a refreshed Budget Recovery Board on tracking savings delivery, with an emphasis on management actions to get back on track, and cross Council initiatives to reduce spend, which includes a hold on non-essential spend, whilst separate targeted Financial Improvement Boards will focus on the overspending areas - as set out below.
- (b) CLT Resources Approval Panel - Agency expenditure remains high. Therefore CLT has agreed to the establishment of a Resources Approval Panel to maintain oversight and approval of all recruitment activity, both permanent and temporary, and all enhanced payment arrangements for permanent staff. This Board aims to ensure a consistency of approach in relation to employee remuneration to ensure that staffing costs are maintained within approved budgets and enhancements to pay are applied consistently across the Council.
- (c) Housing Revenue Account Finance Improvement Panel - established to interrogate the cost pressures within the service and introduce management actions to contain expenditure throughout 2025/26. This Panel has also overseen the development of savings proposals for the HRA as well as the review and refresh of the HRA Business Plan.
- (d) Adult Social Care Finance Improvement Panel - In light of the increased overspend since May, the Group Director Finance and Corporate Resources has set up a monthly improvement that focuses upon the financial sustainability of Adult Social Care. The first meeting took place at the end of November.
- (e) Additionally, CLT will continue the non essential spend controls which contributed over £3m of mitigations across the General Fund and HRA in 2024/25. It is

continuing with the non-essential spending freeze that we introduced last year to mitigate the current overspend and to protect reserves.

5. Robustness of estimates

- 5.1 The Council's preferred strategy to manage growth, inflation and its impact on cost pressures has been for service areas to manage pressures within their budgets wherever possible including by factoring one-off funding and grants (for example, the Social Care Grant and the Homelessness Prevention Grant). Although it has always been recognised that there will inevitably be some cost pressures which cannot be managed by service areas or which are truly unavoidable and for which budget growth has been added.
- 5.2 This strategy has become increasingly more difficult given the escalating demands on services (particularly social care and temporary accommodation) and the reductions in external funding. This meant that for 2025/26 significant growth was built into the budget for rising pressures in social care and other areas.
- 5.3 Growth of £44m was added to the 2025/26 budget to fund the cost pressures for social care and homeless prevention and £10m of reserves were used to set a balanced budget. Despite this increased investment in the demand led services the Council is forecasting an overspend of £10.3m. One of the main drivers of the forecast overspend in 2025/26 is Adult Social Care with the increase in the number requiring care and support and increasing complex care continues to rise and we are injecting additional growth to respond to this escalating demand..
- 5.4 For 2026/27, the following growth has been added to budgets.
- Assumed pay award for 2026/27 at 3% but held corporately until the pay award is agreed (£7.3m);
 - Assumptions in relation to increases in demand for social care (£9.7m)
 - Other directorate cost pressures amounting to £4.6m to reflect the cost pressures in respect of statutory and contractual requirements, and cost pressures identified in the mid-year review of the MTFP. These include, increased interest on borrowing, additional insurance costs, contractual requirements on non-social care contracts (primarily the requirement to pay LLW), statutory changes e.g. centralisation of Land Charges, and Cabinet decisions already taken.
 - Increase in the budget for minimum revenue provision as a result of an increased reliance on borrowing to fund the Council's capital programme (£4.8m).
 - Increase in Concessionary Fares and the NLWA levy (estimated £1m in total).
 - The final Local Government Settlement improved the Council's funding in 2026/27 and across the financial planning period. This improvement has enabled the Council to invest further in priority services; an investment of £0.64m to maintain current opening hours in the borough's seven libraries and an Investment of £1.7m in additional street cleaners to increase the frequency of street cleansing and invest in additional staff to tackle flytipping, and an increase in waste

enforcement officers. This investment will be one off in nature pending a review of operations to ensure the service is as efficient as possible and delivering Value for Money.

- 5.5 The estimates in respect of the above growth items are reviewed on an ongoing basis as the current year picture emerges and as more information comes available and estimates adjusted accordingly where appropriate.
- 5.6 We continue to hold a recurrent contingency in our budget of £2m.
- 5.7 Moving on to the main income areas, collection rates assumed for Council Tax and business rates reflect our assessment of the economic environment and our improved ability to chase debt and from improvement to systems arising from our resident experience transformation project. In 2026/27 we are prudent in both reflecting these system improvements while still recognising the possible difficulties council tax and business rates payers may have in paying bills in light of the previous very high inflation rates and the cost of living crisis. We have also undertaken a review of bad debt provisions as part of setting the budget for 2026/27 and appropriate adjustments have been made.
- 5.8 The 2026/27 to 2028/29 Local Government Finance Settlements (LGFS) increased LBH's core spending power (the Government's estimate of our resources). Compared to 2025/26 this is projected to rise by £61m by 2028/29 (by 6.2% in 2026/27, 4.0% in 2027/28, and 4.0% in 2028/29), with £33m coming from funding increases and £28m expected from Council Tax. The increase in resources for 2026/27 has enabled the Council to set a balanced budget and the certainty of funding through to 2028/29 has enabled improved financial planning.

6. Savings requirement and feasibility of the plans to achieve the required savings

- 6.1 Savings requirements are derived from our ongoing budgetary process which identifies the current year savings requirement and future years requirements based on a Medium Term Financial Plan which is refreshed internally on a regular basis. Where necessary revisions are made to the savings requirements if the financial and the non-financial environment changes significantly for individual services and the Council as a whole. For example, the MTFP has been adjusted to reflect the further demand increases in social care and temporary accommodation from 2026/27 onwards.
- 6.2 Regarding feasibility, each individual saving proposal goes through a review process involving service heads, directorate leadership teams, the Council's Corporate Leadership (CLT) team, lead cabinet members, the Budget Scrutiny Task and Finish Panel and Cabinet/CLT meetings.
- 6.3 For 2026/27 a specific risk is raised concerning the delivery of a significant savings programme which includes around the assumption built into the MTFP regarding the Corporate Transformation Programme. A high proportion of the savings plan £12.6m is built in (phased £6.4m in 2026/27, £5.4m in 2027/28 and £0.8m in 2028/29). This total is based on worked up business cases the phasing is aligned to the delivery plans. In addition to these budget saving plans there is also a further programme of demand

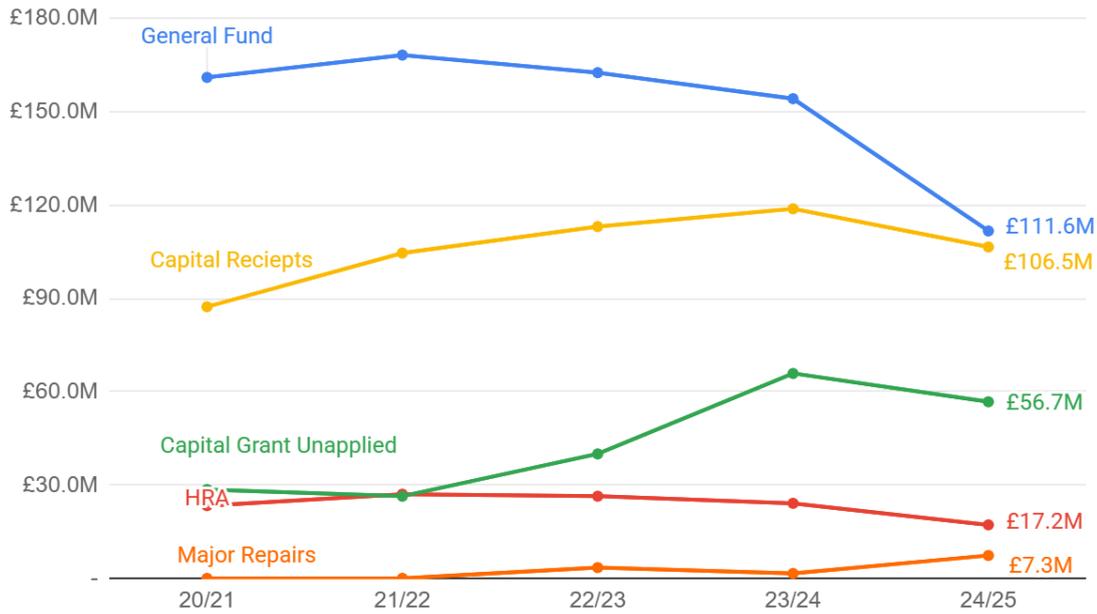
management plans under the Transformation Programme totalling up to £13.1m to reduce the level of growth required over the financial planning period. The Transformation Board has introduced robust monitoring arrangements to track implementation plans and savings delivery.

- 6.4 A significant risk factor for some authorities is the inclusion of material estimates in relation to commercial ventures, partnerships and investment. The Council's exposure in this space is relatively limited with the main element being income from our commercial estate which with budgeted income at £8m represents 1.7% of the Council's income. This is subject to ongoing monitoring throughout the financial year alongside the review of the adequacy of bad debt provisions.
- 6.5 As of March 2025, our long-term borrowings amounted to £158m. This increased to £247m by December 2025. Going forward our plans for capital investment are increasingly reliant on borrowing and as internal balances decrease a greater proportion of this will be from external borrowing and we will have further financial exposure in this regard. Furthermore, this increased reliance on borrowing will increase the proportion of our budgets which we are required to set aside to repay debt principal (the 'minimum revenue provision') and to service that debt ('interest'). In order that these trends are fully reflected in our revenue estimates, capital and revenue expenditure plans are aligned and routinely cross-checked and provisions set aside in the 2026/27 budget are prudent.

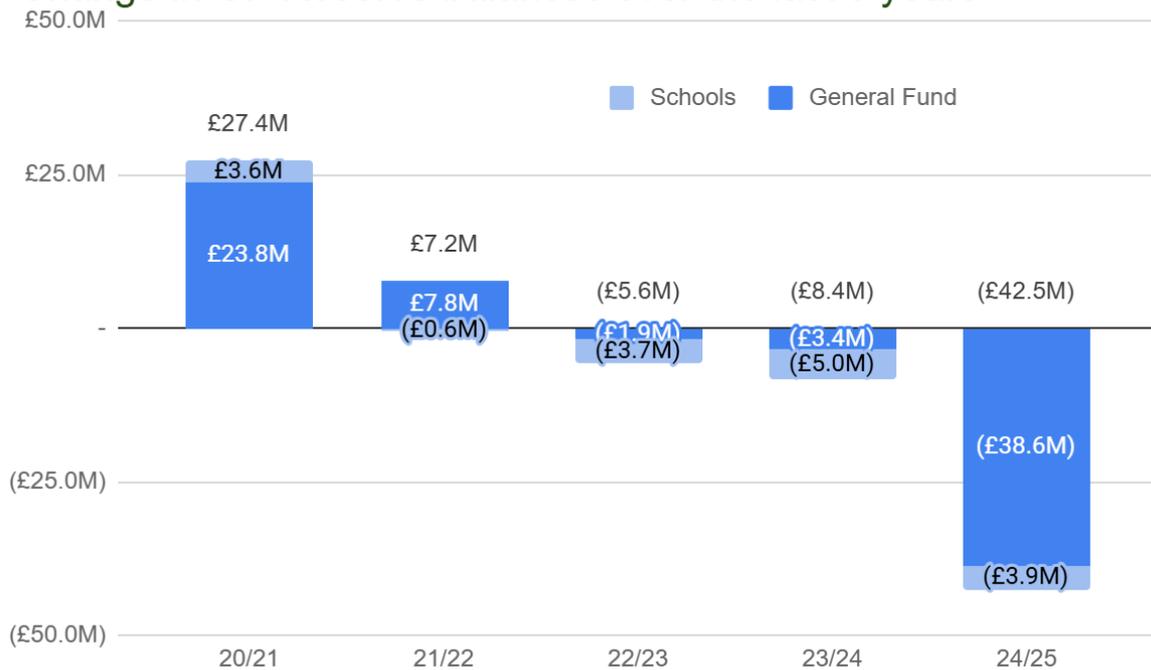
7. Adequacy of reserves

- 7.1 Determining the appropriate level of reserves and balances is a matter of professional judgement based on individual circumstances such as size of budgets and their robustness, risks identified (both short and long term) and track record in budget money. They act as a safeguard against risks of a one-off nature and can only be replenished if in any one given year income exceeds expenditure. The Council holds a General Fund balance and a range of earmarked reserves for different purposes. The General Fund balance is the absolute last line of defence and a requirement to utilise this reserve would indicate severe financial difficulty.
- 7.2 The growing cost pressures experienced across our statutory services has resulted in a reduction in the Council's reserves and overall resilience.

Usable Reserves 5-year trend (2020/21 to 2024/25)



Change in GF Reserve balances over the last 5 years



7.3 Looking forward to 2026/27 and beyond, the tables below sets out the forecast reserve position as at the end of 2025/26 taking on board forecast reserves movements in 2025/26 and shows an acceleration of the decline in our reserves as a result of the significant increase in the cost pressures the Council is facing.

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

- 7.4 The final overspend position for 2025/26 will reduce this balance; the forecast position at the end of March 2027 is shown below:

	£m
Other Earmarked reserves	44.9
Assumed use of reserves to fund 2025/26 overspend	(10.3)
Other Usable Reserves as at the end of March 2027 (excluding General Fund Balance)	34.6

- 7.5 In addition, we need to factor in the impact of any shortfall on our capital receipts planned to be used for transformation. Taken into account the position set out above, in simple terms if we were to do nothing and we were to continue to overspend at the current rate our reserves will be exhausted within 2 - 3 years.
- 7.6 Therefore, whilst the financial position has improved due to the positive impact of the LGFS, the Council is still in a challenging position financially particularly given the risks set out above. Whilst it is assessed that the reserves give us sufficient mitigation against risk for 2026/27 we will need to review this on an ongoing basis (and particularly when we have a clear view of the forecast for 2026/27 to determine if we need to take further action in preparation for setting the 2027/28 budget.
- 7.7 As set out in the main budget report there are a number of significant cost risks which will impact the likely timing of the depletion of reserves particularly around social care and savings delivery. We have seen a significant increase in the cost of delivering demand led services such as social care and homeless prevention. We have factored £14.3m of growth into our budget for 2026/27. There remains a risk, however, that demand grows at a pace which outstrips these measures and if this materialises this will impact on reserves.

- 7.8 There is also a risk around savings delivery although we have a modest contingency to partly mitigate this risk, Furthermore a 1% increase in the pay award over and above that budgeted (budgeted at 3%) generates a cost pressure of £2.4m per additional 1%.
- 7.9 All of these risks will be monitored through our business as usual processes but it is noted there is a risk that the potential financial impact should they materialise will exceed budgets and provisions set aside as part of the annual budget process resulting in further significant draw down from reserves. Although reserve levels are considered adequate to mitigate these risks for 2026/27 it is clear that action needs to be taken to as far as possible to minimise the drawdown from reserves both next year and future years.
- 7.10 Attention is also drawn to the Council's negative reserve in relation to the Dedicated Schools Grant deficit which was £19.1m as at March 2025 and is forecast to be unchanged at year end. In the 2026/27 to 2028/29 LGFS settlement, the Government have announced that all local authorities with SEND deficits will be eligible in 2026/27 to receive a grant covering 90% of their High Needs-related DSG deficit accrued up to the end of 2025/26. This grant will be paid in Autumn 2026, subject to each local authority submitting and securing the Department for Education's approval of a local SEND reform plan. Although there may be some flexibility in when we have to clear the residual deficit, it looks likely we will have to do this by 2027/28. We have therefore put an amount to reflect this in the MTFP.
- 7.11 Staying with Education, the Council holds on its balance sheet net schools balances of £5.9m as at 31 March 2025. These are an amalgam of deficit and surplus balances across our maintained schools. The impact of inflation alongside falling rolls has meant that more of our schools are now in deficit. This is a financial risk to the Council as where a school closes, for example, as a result of insufficient pupil numbers the cost of redundancies and any remaining deficit balance are borne by the Council's General Fund. The Council works closely with schools in a deficit position to develop recovery plans which contributes to mitigating this risk.
- 7.12 Finally, the Council's General Fund Reserve is set at £19m which represents 4.5% of the net General Fund budget. Historically, the aim has been to hold the General Fund balance at around 5% of the net General Fund budget and it is recommended that we continue to review this with a view to increasing this balance over time to provide further resilience for the Council.

8. HRA estimates, reserves and balances

- 8.1 The budget for the Housing Revenue Account (HRA), including the setting of rents for 2026/27 was approved by Cabinet in January 2026. The budget was following an update and review of the 30-Year HRA Business Plan for 2026/27 onwards. The 30-Year Business Plan is a statutory requirement and demonstrates that the HRA is financially viable whilst continuing to deliver the Council's Housing priorities. The budget was set taking into account decisions made in relation to HRA reserve levels designed to improve the resilience of the HRA. The financial strategy and approach to risk management within the HRA business plan support the delivery of the Council's

strategic housing objectives in a manner that is sustainable and keeps the HRA on a secure financial footing.

- 8.2 In setting the HRA business plan we follow the HRA Voluntary Code of Practice covering six Principles that describe what the sector considers as essential elements for the continued sustainability of a self-financed HRA. The finance Principle is that the housing authority has put in place arrangements to monitor the viability of the housing business and takes appropriate actions to maintain viability. Therefore, the following framework has been designed for assessing the viability of the HRA Business Plan and is being applied within the current model. These metrics are based on successful operation of similar minimum/maximum metrics across the housing sector. They represent a sound and effective way of managing borrowing and investment capacity:
- A minimum closing reserve balance of 10% of total revenue expenditure
 - An Interest Cover Ratio set at a minimum of 1.25, defined as net operating surplus divided by HRA interest costs;
 - A Loan to Value ratio set at a maximum of 70%, defined as outstanding HRA borrowing (HRA Capital Financing Requirement) divided by total asset valuation of HRA assets on the balance sheet.
- 8.3 Adopting these measures and testing changes to the plan against them will enable the Council to maximise its outcomes whilst ensuring a financially sustainable Business Plan is always in place. It will also ensure that decision making on future HRA capital schemes becomes more efficient in terms of considering long-term income and expenditure forecasts.
- 8.4 This year the HRA is forecasting an overspend in its operating activities of £8m which is driven by the increasing spend on reactive repairs and maintenance. This escalating overspend within the HRA is significantly impacting the level of HRA reserves and presents a risk to the financial sustainability and resilience of the HRA and Business Plan going forward. This year we are forecasting to draw down £4m from earmarked reserves to cover the overspend. However, this has reduced the level of the HRA General reserve to below the level required to maintain the HRA's viability, that is 10% of total revenue expenditure.
- 8.5 As part of the budget for 2026/27 we added growth to the budgets for repairs to respond to the demand pressure and we are also planning a contribution of £4.8m to the General Reserve to rebuild reserves to 10% of turnover over the medium term. This contribution will increase the General Reserve to 8.6% of turnover in 2026/27 and the plan is to rebuild this to 10% by 2027/28.
- 8.7 Whilst the level of total reserves has reduced over the last couple of years the HRA business plan has factored increases to the general reserve to 10% of total revenue expenditure within the medium term planning period. This financial strategy and approach to risk management within the HRA Business Plan will ensure the HRA is financially sustainable. The forecast reserve balance at the end of 2026/27 will enable us to manage the risks facing the HRA such as the inflation risks in respect of construction and building maintenance costs, the demand for reactive repairs and the requirements of the Building Safety Act.

9. Capital programme

- 9.1 Attention is also drawn to the ambitious capital programme which is set out in Section 20 to this report. The programme (including HRA schemes) total over £2bn in the four years to 2028/29. As current capital receipts are allocated to existing schemes and future receipts are earmarked for the Flexible Use of Capital Receipts Strategy, borrowing is expected to increase. This borrowing includes for the medium term where it is anticipated that capital receipts will be generated from the later sale of private homes (e.g. Britannia Phase 2b and Housing Regeneration schemes) but also for the longer-term where there is no receipt generated or other funding source identified (primarily refurbishment, asset maintenance or investment assets). For this long-term borrowing the Council is required to set aside sums in its revenue budget to both service the interest on its debt and to repay the borrowing. This latter amount is referred to as the minimum revenue provision (MRP). The non-housing capital programme relies on a significant increase in revenue budgets to fund it, rising from 4.1% to 7.5% of the net general fund budget by 2028/29 .
- 9.2 It is imperative that the Council continues to maintain tight control of the capital programme and its revenue and cash flow impacts. Section 21 of the budget report sets out the requirement of The Prudential Code for Capital Finance in Local Authorities 2021 (the Code) and how the Council adheres to this and sets the required limits. The Code sets out a framework for self-regulation of capital spending, in effect allowing authorities to invest in capital projects, through borrowing, without any imposed limit as long as they are affordable, prudent and sustainable. Furthermore, Appendix 3 sets out the Council's Treasury Management Strategy, which was recommended for approval by Council, by the Audit Committee at its meeting on 27 January 2026.

10. Conclusion

- 10.1 In conclusion, it is the opinion of the Group Director Finance and Corporate Resources (S151 officer) that estimates and balances are sufficiently robust and at the appropriate level with due regard to the risks set out in the Section 25 Statement. This is based on the assessment that the reserves we are forecast to have at the end of 2025/26 give us sufficient mitigation against risks we face for 2026/27. Given that our level of reserves have reduced significantly over the past two years and are forecast to drop still further to fund the forecast overspend in the current year our overall financial resilience has declined. We will, therefore, need to continue to keep our overall financial position under ongoing close review. A key point in time will be when we have a clear view of the forecast for 2026/27 to determine if we need to take further action in preparation for setting the 2027/28 budget, over and above that already planned to close the MTFP gap.
- 10.2 The current level of General Balances should be held at the existing position of £19m which is in line with our current policy to not allow the general balance to drop below £19m. Cognisant of the significant savings plans and risk of non delivery, together with the ongoing nature of some of the risks set out the aim is to increase these to at least 5% of our net revenue budget over time which would equate to £22m - £24m.

10.3 Attention is drawn in my conclusion to Appendix five of this report which sets out the Medium Term Financial Plan for 2027/28 to 2029/30 within which we estimate a budget gap of £10m. We must continue the work we have already begun to close this gap and deliver a year on year balanced position, and seek to build in increases to our revenue reserves to improve our financial resilience over the medium term.

Recommendation to Full Council

To require the Mayor, Cabinet and the Corporate Leadership Team to ensure the delivery of the approved savings plans and develop robust savings plans to close the revised Medium Term Financial Plan budget gaps set out in Appendix 5 and deliver a year on year balanced position, taking into account the recommendation of the S151 Officer as set out in the Section 25 Statement (Appendix 12). Consideration should also be given to building in increases to our revenue reserves to improve the financial resilience of the Council in the medium term.