

APPENDIX D

Statement of the Chief finance Officer Section 25 Statement including Robustness of Estimates and Adequacy of Reserves

1 ROBUSTNESS OF ESTIMATES

The Council process for producing the budget estimates involves responsible budget holders and finance officers reviewing and projecting the Base Budget. The Working Budget Estimates are determined against a background of ongoing quarterly budget monitoring for the current financial year and an evaluation of the outturn position and Budgets carried forward from the previous financial year. The 2026/27 Estimates are determined by evaluating and costing all known changes, including pay and price levels, legislative changes, demands for services and policy developments.

Projecting inflation has become much more difficult with fluctuating utility costs and pay inflation. The Council has sufficient reserves in order to set a balanced budget for 2026/27 and the current Budget Process has rigorously reviewed current budgets. As part of the 2026/27 Budget process the Council has included the positive impact of Fair Funding which has partly reversed historic Government Grant reductions. The overall budget process is co-ordinated by the Accountancy Section in liaison with the various Business Units and the Council's Strategic Leadership Team. The Budget is recommended by the Cabinet, for approval by Council after it has been through the Scrutiny process required by the Council's Constitution. The process includes consideration of risks and uncertainties associated with projections of future pay, prices, interest rates and projected levels and timing of other potential liabilities. The challenge to the budget process is provided by the Scrutiny and Overview Committee.

Financial monitoring arrangements provide the Cabinet with a quarterly update on the performance of the budget, with action plans where any significant adverse variances have resulted. The MTFS is under constant review to ensure that a clear financial position for the Council can be demonstrated for the next five years aided by the Council's BTB priority. This is necessary as the Councils in Hertfordshire transition into new unitary authorities and all of the model submissions (two, three and four Unitary) require savings to be delivered. The 2026/27 funding settlement was higher than the MTFS projected, however this included the funding for new separate food waste that the Council had assumed would be in addition to the projected funding. The multi-year settlements beyond 2026/27 improve projecting the level of annual savings required. The CFO has identified that further new BTB savings options are required for 2027/28-2029/30 of just £800K to ensure a balanced General Fund budget which could be met from annual fees and charges increases. There is a small annual allowance for growth and a 2.99% increase in council tax beyond 2026/27.

The Council's Financial Regulations require responsible budget holders to ensure that net expenditure does not exceed the total of their Service budgets. Where, despite the assessment of risks that forms part of the budget process, a budget comes under pressure during the course of the financial year, the Council's budgetary framework and Financial Regulations lay down appropriate procedures. Where budget variations cannot be contained overall by the use of virements, these have been reported to Members as part of the quarterly budget monitoring process. In addition, requests for supplementary estimates have to be submitted to the

Executive or Full Council, as appropriate. Supplementary estimates are met from available balances and reserves, subject to the required level of minimum General Fund balances.

The Strategic Director (S151) considers that the Estimates and the processes used to produce them are sound and robust. A further update on the 2025/26 General Fund and HRA budgets will be presented to the March and July Cabinets, together with any on-going impacts.

2 ADEQUACY OF RESERVES

The Council's annual budgetary process and the assessment of the adequacy of Reserves are undertaken in the context of robust medium term financial forecasting. The Council currently has levels of Reserves above the minimum risk assessed level, the Council's Medium Term Financial Strategy (with the delivery of £800K of savings and inflation and pressures in line with MTFS projections. This is based on the assumption that future year's funding settlement is in line with the provisional settlement published on the 17 December 2025, if the Final Settlement differs published on the 9 February the report to Full Council will be updated.

The Council has risk assessed the level of General Fund balances required, based on information from service managers the level of reserves required for 2026/27 is £3,648,355, (see also Appendix C to the main report).

Total available General Fund balances as at 1st April 2026 are estimated to be £6,990,974 (after 2025/26 contribution to balances of £485,370). Total General Fund balances as at 1st April 2027 are estimated to be £6,991,215 (after 2026/27 contribution to balances of £241). These levels of balances meet the minimum level of risk assessed balances that are needed to meet unforeseen expenditure arising in the year and expenses arising before income is received and ensure the Council is financially resilient going into LGR.

Total available HRA balances as at 1st April 2026 are estimated to be £10.338Million (after 2025/26 contribution from balances of £588K). Total HRA balances as at 1st April 2027 are estimated to be £10.095Million (after 2026/27 contribution from balances of £243K). These levels of balances meet the minimum level of risk assessed balances that are needed to meet unforeseen expenditure arising in the year and expenses arising before income is received.

The HRA also has an earmarked reserve for the repayment of debt which is estimated to be £16.7Million as at 1st April 2026 and £8.7Million as at 1 April 2027.

It is estimated that the Council will have General Fund £32,518 capital receipts and £2.453Million regeneration ring fenced receipts and £250,000 capital reserves as at 1st April 2027 and the Council has a need to borrow in 2026/27 £45.11Million including for the HRA £35.61Million for capital plus £7.789Million for conversion of internal debt to borrowing and £9.5Million for the General Fund of which £5.9Million is short term borrowing).

In assessing the adequacy of the council's reserves, the robustness of its Budgetary Process and Systems of Internal Control, the assumptions and uncertainties

discussed in the Budget report, and the levels of special provision have been considered.

In coming to a view on the adequacy of reserves, risks in the area of litigation, business continuity, civil emergency, failure of information systems, budgetary control and interest rate calculations have been considered in terms of the possible maximum financial impact and their probability of occurrence. Ongoing assessment of the financial risks to the council, its budget and MTFS, are embedded as part of the Council's overall Corporate Risk Management processes. On this basis, the Strategic Director (S151) considers the level of general balances to be adequate for the 2026/27 financial year.

3 SPECIFIC RESERVES

As part of the budget preparation process, the current and projected levels of the Council's ringfenced reserves have been considered. Following this review, the Strategic Director (S151) confirms these reserves are £10,012,482 for the General Fund as at 1 April 2026 and £9,154,683 as at 1 April 2027 (excluding reserves held for capital) and continue to be required, (see also paragraph 4.10.4-4.10.8 of the main report for the individual reserve balances and need).

4. STATEMENT OF ACCOUNTS

At the time of publishing this report the Council's last set of published and audited accounts were for the financial year 2023/24 and officers are finalising with the council's auditors Azets the 2024/25 accounts.

Supported by the Financial Reporting Council, The Ministry for Housing Communities and local government (MHCLG) set a backstop date of 27 February 2026 for Local Authorities to publish their 2024/25 audited financial accounts. This approach with the earlier backstop deadlines is anticipated to enable Local Authorities and auditors to focus on the most recent year of accounts as quickly as possible and the Council complied with this. This is particularly important as the Councils transition into LGR.

5. LOCAL GOVERNMENT REORGANISATION

The timetable for LGR is within the MTFS period with a Shadow Authority anticipated from the 1 April 2027 and vesting day to be the 1 April 2028 based on the current government timetable. The Council has set aside £560K and £500K for 2026/27 and 2027/28 respectively with a additional contingency amount recommended for the Cabinet of £500K in next year. There will be significant costs leading up to the new unitary authority (yet to be decided by the government) and it is key that has sufficient reserves leading into LGR.