

1. Risk Assessment

The Council takes a measured risk-based approach to the budget setting process

- 1.1 A comprehensive financial risk assessment is undertaken for the revenue and capital budget setting process to ensure that all risks and uncertainties affecting the Council's financial position are identified as far as is reasonably practical. These are reviewed each year as part of the refresh of the MTFs and future year's budget forecasts. The key strategic financial risks to be considered in developing the MTFs are included within the table below.
- 1.2 Medium term financial planning, set against a backdrop of severe reductions in Government funding and unprecedented economic challenges, both nationally and globally, carries with it a significant element of risk. Many factors may impact on the figures presented here and themes have been highlighted where appropriate. Most significant are the spending pressures (waste/homelessness) and the future funding position for local government following ongoing delays with things such as the Fair Funding Review. All of these issues are placing further pressure on the council in the delivery of a balanced budget, without impacting on frontline services.
- 1.3 There were issues for the first few months of the implementation of the new waste contract and a rerouting exercise was undertaken in September to help address the problem with continued missed bins. A special meeting of the Environment and Climate Change Committee has been scheduled to scrutinise the contract implementation. The scale of the waste and street cleansing contract will always provide an element of risk to the council, but there are measures in place to minimise the impact of that risk.
- 1.4 A return to recession would present further risk to the budget position, in particular significant areas of income such as lettings income, planning fees and car park income that are linked directly to economic demand. Although a recession has so far been avoided and interest rates are now beginning to fall there remains a risk to future impact on the council's income streams.
- 1.5 Uncertainty around current and future local government finance policy will undoubtedly affect our finances over the coming years but hopefully this will become more stable following this year's general election.
- 1.6 Despite these risks, we will continue to plan effectively to strengthen our culture of strong financial management so that the Council can continue to meet its Corporate Plan priorities and provide the best possible services to the borough.
- 1.7 As part of strengthening the financial management of the Council, we will be looking to deliver a medium term financial policy that details future savings beyond 2025-26 to show how the budget will remain balanced over the four year period.

Risk	Likelihood	Impact	Risk Management
Future available resources less than assumed.	Possible	High	Annual review of reserves and reserves policy to identify future resources. Assumptions on funding for 2025/26 and beyond are based on best estimates at this time. A prudent approach has been adopted based on previous years' experience as well as

			using regional network contacts to inform modelling.
Escalating costs of local plan and planning service	Likely	High	Ongoing recruitment delays are adding significant cost to the service with the use of locums. The additional requirements for evidence to support the local plan is also adding pressure to the budget position. The unknown cost of the Highsted Park call in by the Secretary of State will also need to be considered.
Efficiency/transformation initiatives not delivered	Possible	High	The MTFS is currently forecasting significant budget gaps, peaking at £5.4m in 2028/29. Use of one-off reserves to help plug these gaps is not sustainable.
Planned savings not delivered	Possible	High	The MTFS contains budget changes resulting from agreed service changes. Ongoing monitoring of the achievement of these, through regular budget monitoring, will help identify any issues.
Uncertainty around government grant funding	Likely	High	The MTFS is currently forecasting government grant funding of £2.3m in 2025/26. However, 2024/25 is expected to be the final year for most of these grants, so this adds £1.95m to the annual future savings requirement. There may be transitional support available, but this is currently an unknown.
Uncertainty around county council funding	Likely	High	A number of council services are supported through funding from KCC. If the funding is removed, the burden will fall to Swale and increase the budget gap. Managers are working closely with KCC to manage the risk to finances and service delivery.
Deadline pressure on capital project funding	Possible	Medium	Delays in funding announcements, without extensions to project end dates creates risk that projects may not receive the full funding award. Project Managers are in constant contact with government to raise the awareness of this

			issue and to request extensions to the end date where possible.
Overreliance on reserve contributions supporting base budget deficits which is not a sustainable position.	Likely	High	Early preparation of 2026/27 MTFS to address the ongoing budget gap and deliver a sustainable base budget position.
Volatility of business rates funding given uncertainty around impact of appeals.	Likely	High	Volatility of funding stream outside of council control but impact mitigated by establishment of specific earmarked reserve and financial monitoring framework. Modelling of potential impacts is used to inform internal financial planning.
Pay Awards, fee increases and price inflation higher than assumed.	Possible	Medium	Impact of potential increases mitigated by central contingency budget for pay, price increases and fees. Where pay awards have been agreed these will be factored into the future estimates.
Future spending plans underestimated.	Possible	Medium	Service planning process identifies future budget pressures, and these will inform the indicative budget forecasts. An effective budget monitoring framework is in place to identify in year and potential future cost pressures.
Revenue implications of capital programmes not fully anticipated.	Unlikely	Low	Capital bid approval framework identifies revenue implications and links to Council priorities. Full analysis of revenue implications assessed and considered in scenario planning.
Income targets not achieved.	Possible	Medium	Regular budget monitoring and reporting takes place. Review of fees and charges included within the budget build process.
Budget monitoring not effective.	Unlikely	High	Regular monitoring and reporting in line with corporate framework. Action plans developed to address problem areas. Track record of delivering budget.
Exit strategies for external funding ceasing/tapering not met.	Possible	Medium	Regular monitoring and reporting, medium-term planning, review of fixed term funding and posts completed.

Loss of principal deposit.	Unlikely	Medium	Limited by the controls in the Treasury Management Strategy which balance security of deposit over returns. Impact limited due to the strategy of a diverse portfolio with top rated institutions.
Interest rates lower than expected.	Unlikely	Low	Regular review, monitoring and reporting on interest rates. Prudent assumptions on likely interest rates for 2025/26 will be incorporated into the budget.
Collection rates for retained business rates and council tax lower than anticipated.	Possible	High	Impact mitigated by the review of bad debt provisions and availability of reserves. Monitoring of Collection Fund is formally incorporated into the revenue monitoring process.
All MTFS risks not adequately identified.	Unlikely	Low	Council's Risk Management Framework ensures all operational and strategic risks are identified as part of the annual service planning process.