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 (particularly homelessness), national economics and the cost of living crisis, and Local Government Reorganisation (LGR) . 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 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, stubborn inflation and impacts on interest rates mean there remains a risk to future impact on the council's income streams.

1.4 The multi-year Local Government Finance Settlement last year has given some level of certainty over the medium term, however the reset of Business Rates levels funding remains limited, and a one off support grant of £1.3m is due to be removed from 2027/28.

1.5 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.

1.6 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 2027/28 to show how the budget will remain balanced over the three 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 2027/28 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.
Costs of local plan and planning service	Likely	High	Ongoing recruitment difficulties are adding significant cost to the service with the use of locums. Provision has been made for local plan costs which will be reviewed as the plan

			progresses.
Efficiency/ transformation initiatives not delivered	Possible	High	The MTFS is currently forecasting significant budget gaps, peaking at £3.5m in 2029/30. 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.
Uncertain business rate funding	Likely	High	The MTFS includes the reset position for business rates, which removes the growth achieved since 2013/14. The loss is mitigated initially with additional grant funding, but this is being reduced over time, with a significant reduction in 2027/28. Business rates growth will be monitored to mitigate potential losses.
Capital project funding	Possible	Medium	Delays to planned works could lead to increase in costs of capital funding. Regular monitoring of the project plan and review of funding requirements are in place.
Overreliance on reserve contributions supporting base budget deficits which is not a sustainable position.	Likely	High	Early preparation of 2028/29 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 rate changes not in line with expectations.	Unlikely	Low	Regular review, monitoring and reporting on interest rates. Prudent assumptions on likely interest rates for 2027/28 will be incorporated into the budget to avoid unrealistic assumptions in terms of both interest received, and interest payable.
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.
Unexpected costs arising from Local Government Reorganisation	Likely	High	Details from the LGR business case modelling show that the cost of delivery are significant. A decision was announced in July 2026 but was paused in September 2026, with a further announcement awaited. Further risk analysis can only be carried out once a decision is announced.
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.