Appendix III

‘SECTION 25’ STATEMENT ON THE ROBUSTNESS OF THE ESTIMATES AND THE ADEQUACY OF THE RESERVES

1. Introduction

1.1 The council has a legal duty to set a balanced budget and must take all reasonable factors into account when doing so. Section 25 of the Local Government Act 2003 requires that a local authority’s Chief Finance Officer (Section 151 Officer) must report to Full Council on the following elements of the budget proposals when the Budget is being considered and the Council Tax is being set:

- the robustness of the estimates made for the purposes of the budget calculations; and

- the adequacy of the proposed financial reserves.

1.2 This statement is given in respect of the 2026/27 budget setting process for Swale Borough Council and sets out my view as Section 151 officer as to the robustness of the proposed budget for 2026/27, the medium term financial plan, and the adequacy of reserves. It needs to be considered alongside the wider context contained with the budget report. Cost pressures are not being offset by increases in government funding or by relaxing the limits on council tax setting or on statutory fees and charges. The council is faced with using reserves to balance the budget in the short term, but permanent savings to costs and services will be required in the medium term to align expenditure with income and resources.

1.3 This council has a robust track record of sound financial reporting and delivery of unqualified financial statements, however the audit findings reported by our external auditor Grant Thornton for both the main audit and the value for money audit have highlighted the need to develop a savings delivery plan to reduce the reliance on reserves and promote sustainability.

2. Robustness of estimates

2.1 The approach to building the 2026/27 budget has involved the creation of a cross party Budget Working Group who have collaborated on the delivery of the budget that is detailed in the committee reports.

2.2 The council has a good track record of managing within budget and the budget for 2026/27 shows a balanced position, however once again this relies on a contribution from reserves to deliver the balanced position, albeit a lower amount than previous years. Details of how this has been achieved are set out in the budget report, which also forecasts that the future years’ position will worsen as costs increase and external funding remains uncertain and is estimated to reduce.

2.3 The announcement by the government of the results of the Fair Funding Review are reflected in the Provisional Local Government Settlement for 2026/27 . This confirms the long-awaited reform of local government funding and provides details of government funding over a multi-year period. The plan for the review was to “direct funding where it is most needed, based on an up-to-date assessment of need and local resources”. As Swale had seen significant business rate growth since the localisation of business rates, the reset position of losing this growth has been offset in 2026/27 by increases to the Revenue Support Grant giving an almost neutral position for the governments calculation of our Core Spending Power. However the protection for loss of business rate growth is transitional and funding is reduced in 2027/28 and 2028/29 by £720k and then a further £780k. Swale received a share of the new Recovery Grant for 2025/26, with awards based on deprivation statistics this grant has been maintained for 2026/27 to 2028/29, these amounts are included in the Core Spending Power assessment.

2.4 The budget gaps estimated from 2027/28 onwards need to be addressed by taking difficult decisions to reduce expenditure and service delivery, and manage growth expectations to help facilitate the delivery of a balanced and sustainable budget position. The underlying principle of the corporate plan is one of financial sustainability and so members need to ensure that decisions taken on setting a budget adhere to this principle.

2.5 The drafting of the budget is subject to a range of risk factors, these are reported in more detail in Appendix IX.

3. Adequacy of Reserves

3.1 Appendix VII details the planned use of reserves over the period of the medium term financial plan. It is not a sustainable position to rely too heavily on the use of reserves as they will be depleted if a deliverable savings plan is not put in place. Some of the risk to the use of reserves is due to the uncertainty of business rate funding given the reset of the baseline coupled with revaluations and changes to the multiplier rates. A review of the business rate position will be carried out in 2026/27 to understand the impact of the changes.

3.2 It is my advice however, that ongoing budget savings need to be made to address the ongoing budget gap that has not been resolved with funding reform as the council's reserves continue to be depleted over the period of this financial plan. Now that there is some degree of certainty over government funding a robust savings plan needs to be developed to support the drafting of the MTFP for 2028/29 to avoid future consideration of the need to issue a section 114 notice. Section 114 of the Local Government Finance Act 1988 provides the mechanism for the S151 Officer to halt council expenditure when resources are no longer sufficient to maintain or achieve a balanced financial position. The S151 Officer would only take this course of action when all options to stabilise the council's financial position had been unsuccessful.

3.3 This statement is drafted with consideration of the CIPFA Local Authority Resilience Index which shows the council's position on a range of measures associated with financial risk. The general findings of the 2025 index show a decrease in the level of reserves held by councils. The change in reserve balances and the reduction in the level of reserve for Swale put the council at the higher end of the risk indicators for financial stress.

3.4 The implementation of Local Government Reorganisation and Kent and Medway's business case submissions for proposed unitary geographies should not be used as an excuse for the council to deplete reserves in lieu of making the savings required to reduce the budget gap. The residents and businesses of Swale will continue to live and work in the borough, and will continue to require the support of their local council whatever the name or makeup of that council may be. The government have made it clear that running down of reserves and disposal of assets ahead of a planned reorganisation will not be acceptable and plan to introduce regulation to introduce spending limits and controls around disposals to address this risk.

4. Conclusion

4.1 I am of the opinion that the approach taken to the developing the 2026/27 budget meets the requirements contained within the Local Government Act 2003 to ensure the robustness of the estimates and the adequacy of reserves for the coming financial year. However this council needs to develop a savings plan to address the ongoing budget gap for future years to ensure that the need to issue a s114 notice remains remote.