

BOURNEMOUTH, CHRISTCHURCH AND POOLE

General Unearmarked Reserves - Risk Assessment 2020/21

Risk Description / Liability	Controls in Place	Proposed Management Actions	Impact	Likelihood	Residual Risk Score	Potential Impact	Weighting	Weighted Amount
Advance fees being incurred on schemes being work-up by the Bournemouth Development Company (Joint Venture between the Council and Morgan Sindall) which should eventually be covered by the individual schemes business case.	Monitoring of the schemes progress via representation on the BDC Board	Continue monitoring arrangements. <i>Impact recognises the Council's 50% share of such costs</i>	3	1	3	£1,615,500	10%	£161,550
Loans to Council owned companies (their subsidiaries) and Joint Ventures including the Bournemouth Development Company.	Monitoring of loans via representation on the various company Boards	Continue monitoring arrangements	4	1	4	£3,750,000	25%	£937,500
Loans and mortgages extended via the Community Finance Initiative (now closed Bournemouth Borough Council enterprise) which remain outstanding as at 31 December 2019.	Regular monitoring of loans	Continue monitoring arrangements	2	2	4	£665,000	25%	£166,250
Final Local Government Finance Settlement not due until early February 2020. Risk resources allocated will be lower than those outlined in the provisional settlement received in December 2019.	Ongoing monitoring of Government announcements	Impact based on the benefit to the Council of the deferral of Negative Revenue Support Grant allowed for as part of the provisional settlement	4	1	4	£3,048,000	25%	£762,000
In line with the business case agreed by predecessor Councils, deferred funding on inherited capital schemes. The example being the £1.1m of future developer funding supporting the Blackwater west highway scheme	Monitoring of development payment triggers by Planning Team	Continue monitoring arrangements	3	2	6	£1,100,000	50%	£550,000
Significant assumptions included in the 2020/21 base budget of the Council related to Council Tax income including the adjustments associated with the harmonisation process.	Structured process to robustly monitor the budget	Establish monitoring arrangements including quarterly reports to Cabinet. <i>Impact recognises 1% variation on total budgeted council tax income.</i>	3	2	6	£2,170,150	50%	£1,085,075

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Service pressures experienced and forecast during the first nine months of the Council are not adequately captured in the 2020/21 base revenue budget.	Robust Budget Process	Continue quarterly Budget Monitoring Process	4	1	4	£5,250,000	25%	£1,312,500
Instability to the Council's core funding streams due to the potential for variation in the £133m of business rates collected annually and the risk associated with the passported appeals system. This includes prescribed timing difference around when items can be credited to the accounts. These risks will increase as the Government move towards a 75% Business Rates retention model.	Monitoring process and tracking of business closures and start ups	Establish monitoring arrangements as supported by Audit and Governance Committee on a periodic basis. <i>Impact recognises 1% variation in the total collected.</i>	3	2	6	£1,330,000	50%	£665,000
Instability to the Council's Council Tax Base due to variations in the number of the Local Council Tax Support (benefits) scheme claimants and the ability of the Government to change welfare policy impacting on the amount that can be claimed.	Monitoring of tax base position and claimant numbers	Establish monitoring arrangements. Based on risk of a 5% increase in caseload.	3	2	6	£1,372,030	50%	£686,015
General operational risk of a reduction in fees, charges and rents Income. <i>Risk also reflects the Council not developing and implementing appropriate arrangements for their collection and from the decline in individuals personal wealth.</i>	Monitoring of the key areas of fees & charges income	Development of monitoring arrangements. <i>Impact assumes a 2% variation in the estimated amount.</i>	3	2	6	£1,720,000	50%	£860,000
Unforecast increase in service demand for Adult Social Care. <i>This includes the significant threat to demand for Adult Social care from the 75% to 80% of clients locally who are self funders and do not require financial assistance from the Council and the unstable market conditions for such services as residential care for older people.</i>	Robust service monitoring and Medium Term Financial Planning processes.	Financial regulations requirement that such costs must normally be met within approved resources. <i>Impact recognises a 5% service cost pressure based on local government experience.</i>	4	2	8	£5,689,300	75%	£4,266,975

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Significant assumptions included in the 2020/21 base budget of the Council related to specific Government grants including the Improved Better Care Fund and other specific grants awarded to support Adults and Children's Services.	Structured process to robust budget monitoring	Established monitoring arrangements including quarterly reports to Cabinet. <i>Impact based on 10% variation in grants assumed to support social care as part of the budget process.</i>	4	2	8	£2,407,500	75%	£1,805,625
Unforecast increase in service demand for Children's Services.	Robust service monitoring and Medium Term Financial Planning processes.	Financial regulations requirement that such costs must normally be met within approved resources. <i>Impact recognises a 15% service cost pressure based on local government experience.</i>	4	2	8	£3,300,000	75%	£2,475,000
High Needs budget element of the Dedicated Schools Grant (DSG). Assessment of gross deficit for 2020/21 is a £7m deficit with only a £2.8m recognised as a pressure due to various assumptions around service savings, contributions from schools/early years providers, and from other DSG related resources.	Robust monitoring of the financial position and regular review by the BCP Schools Forum.	Ongoing dialogue/lobbying of Government, consideration of the matter with the BCP Schools Forum, and a base revenue contribution to an earmarked reserve in mitigation.	4	2	8	£4,200,000	75%	£3,150,000
Impact of wider Welfare Reform agenda. Includes those associated with ongoing demand for Discretionary Housing Payments (DHP) further to the benefit cap arrangements and the roll out of Universal Credit.	Monitoring of activity by the Revenue & Benefits and Housing Teams	Concern around the impact and consequences for the most vulnerable in our community. Concern in respect of the impact on the Council's housing services if landlords do not obtain payment.	2	2	4	£1,000,000	25%	£250,000
Government unfunded requirements or changes that lead to cost increases or income reductions to the Council. <i>Good examples would be from the implications of the Mental Capacity (Amendment) Bill or the Governments Resources and Waste Strategy.</i>	Ongoing review of Government policy proposals. New burdens doctrine.	Monitoring of Government policy proposals.	2	2	4	£1,000,000	25%	£250,000

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Inflation risk. Provision has only been made for inflation where "clear evidence that it will be required due to either market conditions or due to contractual terms and conditions".	Generally outside of local control. December 2019 - CPI 1.6%	Monitoring of relevant developments and indicators. Consider extent to which the Council can influence local market pressures. <i>Based on an estimate of premises, transport, contract payments, agency payments, supplies & services costs and a 1% variation.</i>	4	1	4	£2,977,000	25%	£744,250
Increasing Government regulation underpinned by the principle of fines for none compliance. An example would be the Finance Bill 2017 Off Payroll Workers Regulations or financial penalties if the new Council has failed to handle individuals personal data correctly.	Statutory and regulatory controls, internal governance procedures, professional advisers. Programme management arrangements for data transferring to new Council.	Monitor any such claims and seek approaches which limit exposure/claims.	1	1	1	£500,000	10%	£50,000
Increasing number of partner and Public Sector organisations employing no win no fee advocacy to try and improve their financial position to the detriment of the Council.	Statutory and regulatory controls, internal governance procedures, professional advisers.	Monitor any such claims and seek approaches which limit claims especially those in respect of their backdating.	1	1	1	£500,000	10%	£50,000
Increasing number of Public Sector organisations recharging for services that were previous provided at no cost. An example would be the Health & Safety Executive	Statutory and regulatory controls, internal governance procedures, professional advisers.	Consideration, review and challenge of claims for payment from any such organisations.	1	1	1	£500,000	10%	£50,000
Insufficient resources to resolve Legal claims against the Council. <i>Examples include potential claims brought against the council due to contractual terms and arrangements, and claims as a consequence of the impact of the Councils actions on third parties.</i>	Statutory and regulatory controls, internal governance procedures, professional advisers.	Monitor any such claims and seek approaches which limit claims especially those in respect of their backdating.	3	2	6	£1,500,000	50%	£750,000
Ongoing risk associated with the transferred to BCP from the four predecessor councils with variations in their legacy terms and conditions of service.	Significantly resourced pay and grading harmonisation contract let to Korn Ferry.	Detailed workplan to deliver harmonised pay and grading structure <i>Impact based on a 2% variation to the pay bill.</i>	4	2	8	£2,919,000	75%	£2,189,250

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Insufficient resources to support necessary capital infrastructure developments. Council currently has limited capital resources, a minimum revenue contribution to capital in 2020/21, and certain legacy commitments	Schemes will only be approved once necessary resources are in place	Establish capital allocation processes.	3	2	6	£2,000,000	50%	£1,000,000
Additional resources required to support or complete schemes already within the capital programme.	Robust monitoring arrangements or individual schemes	Continue capital monitoring arrangements	3	2	6	£1,500,000	50%	£750,000
Insufficient capital resources to support major capital ambitions such as those associated with the Bournemouth International Centre or rationalisation of the civic estate.	Schemes will only be approved once necessary resources are in place	Establish capital allocation processes.	4	1	4	£10,000,000	25%	£2,500,000
Key projects of the Council where the procurement process has / or is about commence require additional resources over and above those set out in their approved financial strategy to meet the original specification or vision for the scheme.	Commissioned works limited to identified financial resources	Gateway review on key projects post procurement and before final commissioning of works	4	2	8	£1,500,000	75%	£1,125,000
Capability and capacity to deliver organisational change programme	Established programme management team unfunded in the base revenue budget although resources have been earmarked for the Council's organisational redesign.	Regular reports to Cabinet	2	2	4	£400,000	25%	£100,000
Shortfall in resources to deliver organisational redesign	2020/21 Budget process sets out proposal to deliver £18.2m of the necessary £20.5m to £29.5m in required resources	Report setting out delivery for new operational model to be presented to Cabinet in April 2020. <i>Risks assessment assumes 50% of the difference between £29.5m and £18.2m</i>	4	1	4	£5,650,000	25%	£1,412,500

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Reduction in income from the investment of the Council's day to day cash balances and reserves	Established quarterly financial monitoring arrangements in place at Executive level and quarterly review by the Audit & Governance Committee	Establish monitoring arrangements. <i>Based on a potential 0.25% reduction in interest rates (what the markets refer to as downside risk).</i>	1	3	3	£95,000	10%	£9,500
Savings, efficiencies and additional resources assumed within the 2020/21 base budget of £9.4m will not be delivered.	Structured monitoring via the budget process	Continual monitoring of the budget. <i>Based on an assumed risk associated with 25% of the savings recognised in the base budget.</i>	4	1	4	£2,350,000	25%	£587,500
The £24.2m of savings and efficiencies an additional resources required to balance years 2 to 3 of the MTFP will become increasingly challenging to deliver. Particularly as they are after Council Tax increases in each year and they are after the £9.4m identified in order to balance the 2020/21 budget.	Robust Medium Term Financial Planning process	Continue monitoring and development of the process. Years 2 to 4 savings. <i>Risk recognises 25% of the savings target</i>	4	1	4	£6,050,000	25%	£1,512,500
Impact of potential national fiscal consolidation, as outlined in the December 2019 Queens Speech or the move to 75% Business Rates Retention Scheme (as underpinned by the Fair Funding Review) will reduce the resources government make available to the Council.	Monitoring of Government announcements	Continue to engage with relevant sector bodies such as the LGA, CIPFA etc. <i>Risk estimate based on average reduction in funding over the last 3 years</i>	4	1	4	£4,840,000	25%	£1,210,000
Failure of a Major Contractor	Robust procurement and contract management procedures. Including performance bonds and parent company guarantees	Regular review of contract performance and contractor financial standing.	3	2	6	£1,500,000	50%	£750,000
Impact on operational capability due to technological or cyber risk	Security, protocols, encryption, and constant review of threats	Continue current control framework	2	2	4	£500,000	25%	£125,000

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Major Incident	Operational procedures and planning.	Consider potential to obtain national funding under the Bellwin scheme.	2	2	4	£1,000,000	25%	£250,000
Implications of the United Kingdoms exiting the European Union on 31 January 2020 MHCLG.	Regular consideration of the issue.	Engagement with Dorset Local Resilience Forum, Business Community and port authority.	2	2	6	£500,000	50%	£250,000
Environmental Issues (Flood Plain) and potential costs if sea defences fail	Funding only approved once necessary resources are in place	Part of Coastal defence strategy	3	1	3	£2,000,000	10%	£200,000
TOTAL PROPOSED MINIMUM LEVEL OF BALANCES						£88,398,480		£34,998,990

In addition to the assessment of the identified individuals risks the Council also assess the risk against the overall total. A risk weighting of between 40% and 80% would assess the range to be around **£14.0 million as a minimum** and around **£28.0 million at the maximum**.

CIPFA benchmarking would indicate un-earmarked reserves for a unitary council should be maintained between £14.2m (5%) £28.3m (10%)

The proposal is that un-earmarked reserves for BCP are maintained at £15.4m (5.4%) which is at the lower end of the range.

Maintaining reserves at the lower end of the spectrum can only be supported due to the inclusion of a base budget revenue contingency alongside the financial resilience reserve and the revenue contribution to capital.