

# BOURNEMOUTH, CHRISTCHURCH AND POOLE

## General Unearmarked Reserves - Risk Assessment 2021/22

Risk Description / Liability	Controls in Place	Proposed Management Actions	Impact	Likelihood	Residual Risk Score	Potential Impact	Weighting	Weighted Amount
Assumed 2020/21 Sales, Fees and Charges compensation scheme will not be received until after financial year end.	Quarterly provisional claims	Continue to complete any grant claims requested by government and assess updates on guidance. <i>Impact based on 10% of the total estimated claim value.</i>	4	1	4	£1,330,000	25%	£332,500
General operational risk of a reduction in fees, charges and rents Income against 2021/22 budget. <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	£1,603,720	50%	£801,860
High Needs budget element of the Dedicated Schools Grant (DSG). Assessment of gross deficit for 2021/22 is a £9.7m deficit with the total accumulated deficit as at the 31 March 2022 forecast to amount to £20.3m. Following government regulation the Council is no longer required to make provision for this deficit by way of a specific earmarked reserve to act as a counterweight. With the previous reserve now released this would pose a significant risk if the regulations were reverted to the previous position.	Robust monitoring of the financial position and regular review by way of a monthly budget overview meeting. Budgeted investment to assist recovery plan.	Ongoing dialogue with government as to the impact once current statutory instrument expires after 1 April 2023. Key item in monthly budget review meetings and ongoing review by the Schools Forum. Impact on recognises 10% of the deficit as low risk for 2021/22.	4	1	4	£2,030,000	25%	£507,500
Legacy consequences of the NHS rapid hospital discharge of adults programme during the covid19 pandemic.	Budget preparation has placed significant reliance on historic trends in the absence of full data.	Reprioritisation of the tranche 5 government covid mitigation resources. Management of the data requirement from higher caseload, but the lag in financial/NHS assessment is inevitable for some months.	4	1	4	£5,360,000	25%	£1,340,000

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Need to invest in Children's services following Ofsted external assessment. This risk is that the provision is insufficient to deliver required improvement.	BCP Children's Services Improvement Board	Continue improvement board arrangements with regular review by the Corporate Management Board. <i>Impact based on a further 50% increase in amounts specific to improvement.</i>	3	2	6	£1,700,000	50%	£1,500,000
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 further 50% service cost pressure based on the amount provided for 2021/22</i>	3	2	6	£1,815,000	50%	£907,500
Unforecast increase in service demand for homeless and housing 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 5% service cost pressure.</i>	2	2	4	£585,750	25%	£146,438
Implications of the United Kingdoms transition from the European Union on 31 December 2020.	Regular consideration of the issue.	Engagement with Dorset Local Resilience Forum, Business Community and port authority.	2	2	4	£500,000	25%	£125,000
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. <i>Impact based on risk of a 5% increase in caseload.</i>	3	2	6	£1,453,100	50%	£726,550
Significant assumptions included in the 2021/22 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	Continue establish monitoring arrangements. <i>Impact recognises 1% variation on total budgeted council tax income.</i>	3	2	6	£2,145,410	50%	£1,072,705

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Instability to the Council's core funding streams due to the potential for variation in the £134m 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 if the Government move towards a 75% Business Rates retention model.	Monitoring process and tracking of business closures and start ups	Continue established monitoring arrangements. <i>Impact recognises 1% variation in the total collected.</i>	3	2	6	£1,336,100	50%	£668,050
Organisational Redesign / Transformation programme savings of £7.5 million assumed within the 2021/22 budget, but not yet itemised. Risk of non delivery.	Key workstream for the authority - monthly review by Corporate Management Board	Continue monitoring arrangements	4	2	8	£7,500,000	75%	£5,625,000
Non transformation programme savings, efficiencies and additional resources assumed within the 2021/22 base budget of £13.1m. Risk of non delivery.	Structured monitoring via the budget process	Continual monitoring of the budget. <i>Based on an assumed risk associated with 10% of the savings recognised in the base budget.</i>	3	1	3	£1,310,000	10%	£131,000
Organisational Redesign / Transformation 2021/22 budget is underpinned by the delivery of £13.8 million in capital receipts	Key workstream for the authority - monthly review by Corporate Property Group	Continue monitoring arrangements - <i>Impact based on 20% of the assumed capital receipts.</i>	4	1	4	£2,760,000	25%	£690,000
Lack of a capital contingency meaning the council has insufficient resources to support necessary capital infrastructure developments.	Schemes will only be approved once necessary resources are in place	Consideration of prudential borrowing were necessary	2	1	2	£500,000	10%	£50,000
Insufficient capital resources to support major capital ambitions such as those associated with Housing and Regeneration or specific projects such as the Bournemouth International Centre.	Schemes will only be approved once a funding strategy is in place. 2021/22 corporate priorities resource allocation to support regeneration and the Future Fund created.	Continue review and Cabinet/Council approval of any relevant business cases.	2	1	2	£500,000	10%	£50,000

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Adequacy of redundancy provision in support of the councils transformation programme. Provision has been made for £12.9 million, against a requirement for up to £29 million based on often cited requirement to reduce the establishment by 600 posts.	Regular and separate monitoring of the councils redundancy costs and the transformation programme.	Continue monitoring arrangements. <i>Impact based on 20% of the potential shortfall.</i>	4	1	4	£3,220,000	25%	£805,000
Unforecast increase in service demand and cost 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	£5,677,100	75%	£4,257,825
Organisations associated with the Council or a Council owned company (or their subsidiary) go into Adminstration and the service has to be returned to the Council with significant financial consequences at least in the short term. This could include exposure to increased operational costs such as staff costs, maintenance, business rates and VAT.	Councillor representation on Boards. Regular review of financial information.	Continue monitoring arrangements.	4	2	8	£6,000,000	75%	£4,500,000
Lansdowne Programme. Dorset Local Enterprise Partnership will contribute £4.8m towards this programme provided it is completed by the 31 March 2021. As per November Cabinet report £2.9m of expenditure needed to be incurred or could fall to the Council to funded in 2021/22.	Councillor representation on Dorset LEP Board and specific scheme monitoring	Continue to monitor in liasion with the Dorset LEP Board. <i>Impact recognises 10% based on the fact that the council would borrow to finance any potential contribution.</i>	1	3	3	£290,000	10%	£29,000
Estate and Accommodation Project. Business case model supporting the £5.7m investment identifies that building related operational budget savings have been assumed from 31 October 2021 in respect of the Poole and Christchurch Civic Centres as they are vacated. Failure to vacate these buildings at that point in time will result in unbudgeted costs falling to the council.	Regular monitoring of the estates management programme as part of the transformation programme framework	Continue monitoring arrangements	1	3	3	246,000	10%	£24,600

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Ongoing risk associated with the staff 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	£3,400,000	75%	£2,550,000
Pay and Reward Strategy. Project principle is that the new strategy due for implementation from January 2022 is cost neutral. This will include the potential impact of any variations to such items as annual leave entitlements and overtime payments.	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 1% variation to the pay bill.</i>	3	2	6	£1,700,000	50%	£850,000
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>	4	1	4	£3,650,000	25%	£912,500
Loans and mortgages extended via the Community Finance Initiative (now closed Bournemouth Borough Council enterprise) which remain outstanding as at 31 December 2020.	Regular monitoring of loans	Continue monitoring arrangements	2	2	4	£599,000	25%	£149,750
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 Council's 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
Final Local Government Finance Settlement not due until early February 2021. Risk resources allocated will be lower than those outlined in the provisional settlement received in December 2020.	Ongoing monitoring of Government announcements	Impact based on the provisional Revenue Support Grant allocation to BCP Council for 2021/22	4	1	4	£3,022,000	25%	£755,500

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Significant assumptions included in the 2021/22 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	£2,496,600	75%	£1,872,450
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
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. November 2020 - CPI 0.3%	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 &amp; 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 non compliance. An example would be the Finance Bill 2017 Off Payroll Workers Regulations or financial penalties if the 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



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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
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
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 0.1% reduction in interest rates (what the markets refer to as downside risk).</i>	1	3	3	£45,000	10%	£4,500
The £35.7m of savings and efficiencies (transformation and non transformation based) identified in support of years 2 to 3 of the MTFP.	Robust Medium Term Financial Planning process	Continue monitoring and development of the process. Years 2 to 3 savings. <i>Risk recognises 25% of the savings target</i>	4	1	4	£8,925,000	25%	£2,231,250
Impact of potential 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 value of reduction experienced in 2019/20</i>	4	1	4	£6,891,000	25%	£1,722,750
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	4	2	8	£5,000,000	75%	£3,750,000

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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
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
<b>TOTAL PROPOSED MINIMUM LEVEL OF BALANCES</b>						<b>£96,567,780</b>		<b>£42,933,478</b>

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 the 1/3rd and 2/3rd band range 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 £14.1 (5%) and £28.2 (10%) of the Councils Net Revenue Expenditure**

**The proposal is that un-earmarked reserves for BCP are maintained at £15.4m (5.5%) 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 approach of borrowing in support of the capital programme.