

BOURNEMOUTH, CHRISTCHURCH AND POOLE

General Unearmarked Reserves - Risk Assessment 2022/23

Risk Description / Liability	Controls in Place	Proposed Management Actions	Impact	Likelihood	Residual Risk Score	Potential Impact	Weighting	Weighted Amount
High Needs budget element of the Dedicated Schools Grant (DSG). Assessment of the deficit for 2022/23 is £16.7m with the total accumulated deficit as at the 31 March 2023 forecast to amount to £37.4m even in an optimistic scenario. Following government regulation the Council is currently not able to set aside resources in the general fund to act as a counterweight. From 2023/24 the council will have insufficient general fund reserves in total unless the current statutory instrument is extended beyond its current 31 March 2023 expiry date.	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 recognises deficit as low risk for 2022/23.	4	1	4	£37,400,000	25%	£9,350,000
2021/22 Financial Performance of the Council. Proposed 2022/23 budget assumes application of the forecast £3.3m surplus for 2021/22 based on the quarter 3 position.	Monthly monitoring of the key financial health indicators and formal quarterly reporting to Cabinet	Formal quarter 3 budget monitoring report to February 2022 Cabinet and various monthly budget monitoring arrangements	4	2	8	£3,300,000	75%	£2,475,000
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 be met within approved resources. <i>Impact recognises a further 5% service cost pressure based on the amount provided for 2022/23</i>	4	2	8	£3,970,000	75%	£2,977,500
Legacy consequences of the NHS Discharge to Access hospital discharge of adults programme during the Covid-19 pandemic.	Budget preparation has placed significant reliance on historic trends in the absence of full data.	Continued monitoring and discussion with NHS. <i>Based on estimated cost in 2021/22</i>	3	1	3	£2,480,000	10%	£248,000

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Need to invest in Children's services following Ofsted external assessment. 2022/23 budget makes no specific allowances for further investment.	BCP Children's Services Improvement Board	Continue improvement board arrangements with regular review by the Corporate Management Board.	4	2	8	£4,300,000	75%	£1,500,000
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	£6,009,100	75%	£4,506,825
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	£690,000	25%	£172,500
Transformation programme savings of £8.7m assumed within the 2022/23 budget of which £4m is not yet itemised.	Key workstream for the authority - monthly review by Transformation Board	Continue monitoring arrangements	4	2	8	£4,000,000	75%	£3,000,000
Non transformation programme savings, efficiencies and additional resources assumed within the 2022/23 base budget of £5.4m. Risk of non delivery.	Structured monitoring via the budget process	Continual monitoring of the budget.	4	1	4	£5,400,000	10%	£540,000
Transformation programme assumes expenditure of £34.3m by the 31 March 2023 to be funded via the flexible use of capital receipts. As capital receipts of £5.5m have already been delivered this £28.8m remaining to be delivered.	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	£6,860,000	25%	£1,715,000
General operational risk of a reduction in fees, charges and rents income against 2022/23 budget. <i>Risk also reflects the Council not developing and implementing appropriate arrangements for their collection and from any 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	£1,505,240	50%	£752,620

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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	£1,344,150	50%	£672,075
Significant assumptions included in the 2022/23 base budget of the Council related to Council Tax income.	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	£2,289,640	50%	£1,144,820
Instability to the Council's core funding streams due to the potential for variation in 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	£1,101,630	50%	£550,815
Lack of a capital contingency meaning the council has insufficient resources to support necessary capital infrastructure developments other than through borrowing.	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 feasibility resources to support major capital ambitions such as those associated with Housing and Regeneration or specific projects such as the Bournemouth International Centre. BCP FuturePlaces undertaking feasibility work on a number of key proposals.	Work on feasibilities will only be progressed once a funding strategy is in place.	Continue review and Cabinet/Council approval of any relevant business cases.	2	1	2	£500,000	10%	£50,000

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Organisations associated with the Council or a Council owned company (or their subsidiary) go into Administration 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.	3	1	3	£2,000,000	10%	£200,000
New harmonised pay and reward strategy due for implementation from April 2024. Risk associated with financial modelling supporting decision making. 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	£1,774,194	50%	£887,097
Fees, costs and investments in schemes being worked-up by the Bournemouth Development Company (Joint Venture between the Council and Muse Developments) which should eventually be covered by the individual schemes business case or profit on future schemes.	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	2	8	£275,500	75%	£206,625
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 2021 - CPI 5.1%	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	£3,265,000	25%	£816,250
Funding gap for 2023/24 of £28.2m excluding £10m additional transformation savings and £5.5m of service based savings.	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	£10,375,000	25%	£2,593,750

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Final Local Government Finance Settlement not due until early February 2022. Risk resources allocated will be lower than those outlined in the provisional settlement received in December 2021.	Ongoing monitoring of Government announcements	Impact based on the provisional Revenue Support Grant allocation to BCP Council for 2022/23	4	1	4	£3,122,071	25%	£780,518
Additional resources required to support or complete schemes already within the approved capital programme with particular emphasis on the impact of higher inflation on the cost of building materials.	Robust monitoring arrangements or individual schemes	Continue capital monitoring arrangements	2	3	6	£1,000,000	50%	£500,000
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	£50,000	10%	£5,000
Government unfunded requirements or changes that lead to cost increases or income reductions to the Council. <i>A good examples would be from the implications of the Social care Reforms 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
Loans and mortgages extended via the Community Finance Initiative (now closed Bournemouth Borough Council enterprise) which remain outstanding as at 15 December 2021.	Regular monitoring of loans	Continue monitoring arrangements	2	2	4	£528,000	25%	£132,000
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

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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.	2	1	2	£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.	2	1	2	£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.	2	1	2	£500,000	10%	£50,000
Impact of potential Business Rates Retention Resets (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, Based on value of Government Revenue Support Grant in 2022/23	4	1	4	£3,122,071	25%	£780,518
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
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

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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						£120,661,596		£42,706,913

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 £14.2 million as a minimum and around £28.5 million at the maximum.

The proposal is that unearmarked reserves are increased to £16m to reflect the growing operational risks / borrowing being undertaken by the Council. As a percentage of Net Revenue Expenditure this is estimated to be 5.2% subject to the formal annual government revenue account return process.

CIPFA benchmarking would indicate un-earmarked reserves for a unitary council should be maintained between £13.6m (5%) and £27.2 (10%) of the Council's Net Revenue Expenditure (2021/22 levels)