

## BOURNEMOUTH, CHRISTCHURCH AND POOLE

### General Unearmarked Reserves - Risk Assessment 2025/26

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 2025/26 is £57.5m with the total accumulated deficit forecast to grow from £108m as at 31 March 2025 to £165.5m a year later. Following government regulation the Council is currently not able to set aside resources in the general fund to act as a counterweight. From 2025/26 the council will technically be insolvent as the deficit will be greater than the level of general fund reserves. Risk recognises that ultimately either government, the council, or schools, or a combination therefore will need to resolved this deficit.	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.	Continue ongoing dialogue with government and prioritise work to reduce current and future years deficits by creating greater local provision including school inclusion policies. <i>Potential impact based on assume mid-year position.</i>	4	2	8	£136,750,000	40%	£54,700,000
Risk of non delivery of the 2025/26 assumed savings, efficiencies and additional resources	Structured process via the budget monitoring process	Continual specific monitoring of savings as part of the budget monitoring framework.	4	2	8	£7,964,000	40%	£3,185,600
Delivery of services within the baseline of available budgeted resources for 2025/26. Adult Social Care. 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. For 2025/26 a particular risk is the extent to which providers of commissioned services look to the council to cover national living wage and national insurance increases which they are unable to absorb.	Robust commissioning, 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	1	4	£6,329,000	20%	£1,265,800
Delivery of services within the baseline of available budgeted resources for 2025/26: Homeless and housing services including a reflection of the cost exposure to expensive forms of temporary accommodation such as bed and breakfast.	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 (net of specific government grants) .</i>	1	2	2	£358,000	5%	£17,900

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Delivery of services within the baseline of available budgeted resources for 2025/26. Children's Services. This includes to relentless increases in demand for services alongside the implications of national policy announcements around increases in the national living wage and national insurance.	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 2025/26</i>	4	2	8	£4,610,000	40%	£1,844,000
General operational risk of a reduction in fees, charges and rents income against 2025/26 budget. <i>Risk also reflects the Council not developing and implementing appropriate arrangements for their collection and the exposure to the impact of weather on a significant amounts of assumed income.</i>	Monitoring of the key areas of fees & charges income	Ongoing monitoring arrangements. <i>Impact assumes a 2% variation on the £94.934m estimated amount included in the revised 2024/25 budget.</i>	3	2	6	£1,899,000	30%	£569,700
Inadequate provision for the annual pay award.	Generally outside of local control as part of a national agreement process led by the National Employers Organisation (NEO)	Monitoring on ongoing conversations between NEO and Trade Unions. <i>Impact based on a 1% variation to the pay bill.</i>	3	2	6	£1,899,000	30%	£569,700
Inflation risk with the potential association to global geopolitical events. 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 2024 - CPI 2.67%	Monitoring of relevant developments and indicators. Consider extent to which the Council can influence local market pressures. <i>Based on 2024/25 revised budget estimate of premises, transport, contract payments, agency payments, supplies &amp; services costs (£419m) and a 1% variation.</i>	4	2	8	£4,193,000	40%	£1,677,200
Volatility 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 claimant numbers	Continue we established monthly monitoring arrangements. <i>Impact based on risk of a 5% increase in caseload.</i>	3	1	3	£1,336,132	10%	£133,613
Significant assumptions included in the 2025/26 base budget of the Council related to Council Tax income. Includes volatility due to variations in the number of Second Homes attracting the 100% premium implemented from 1 April 2025 onwards.	Structured monitoring processes including specific monitoring of numbers attracting the second homes tax premium and the associated tax base position	Continue establish monitoring arrangements. <i>Impact recognises 1% variation on total budgeted council tax income.</i>	4	2	8	£2,812,310	40%	£1,124,924

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Volatility to the level of business rates income 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 an increased 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 assume as part of the 2025/26 budget.</i>	3	2	6	£701,360	30%	£210,408
Generation of the required level of capital receipts to fund the approved transformation programmes of the council via the Flexible Use of Capital Receipts. Includes the Children's and Adult Services specific transformation Programmes. Current assumption is that £7.7m is required in 2024/25 and £10.9m in 2025/26 based on the latest expenditure profile.	Work to develop a pipeline of capital receipts and priority workstream for the Estates Team and Corporate Property Group	Continue monitoring of capital receipts and forecast disposals - <i>Impact based on 20% of the assumed capital receipts.</i>	4	1	4	£3,714,400	20%	£742,880
Council may chose to pay off the debt associated with the £15.3m capital expenditure incurred to date on the Carters Quay scheme	Monitoring of ongoing conversations with Administrator	Review ongoing conversations and reflect as part of financial strategy development work	4	1	4	£15,300,000	20%	£3,060,000
Lack of a capital contingency meaning the council could have insufficient resources to support any variations on approved schemes or urgent capital infrastructure requirements	Schemes will only be approved once necessary resources with appropriate scheme contingencies are in place	Consideration of prudential borrowing can only be considered were it can be demonstrated as affordable	2	1	2	£500,000	5%	£25,000
Final Local Government Finance Settlement not due until early February 2025. Risk resources allocated will be lower than those outlined or estimated following the provisional settlement received in December 2024. Particular risks include only the formula for Employers National Insurance Contributions compensation grant were announced, not the actual allocation.	Ongoing monitoring of Government announcements	Impact based on the provisional Revenue Support Grant allocation to BCP Council for 2025/26	4	1	4	£4,416,102	20%	£883,220
Local Government Funding Reforms could lead to future funding reductions for the Council. Phased implementation due from 2026/27 onwards with early national modelling indicating that council might lose up to £12m annually in Revenue Support Grant resources	Review of Government policy proposals. New burdens doctrine.	Ongoing monitoring of Government policy proposals.	4	2	8	£12,000,000	40%	£4,800,000

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Risk of non delivery of future year savings, efficiencies, and additional resources to ensure the council continues to be able to deliver legally balanced budgets. Recognition that year on year such proposals become increasingly difficult to identify and deliver.	Structured financial strategy driven process with regular MTFP Updates to Cabinet.	Continual rolling process to ensure robust and effective proactive financial management processes. <i>Impact based on savings included in the MTFP for 2026/27 and 2027/28 plus any funding gaps for those years.</i>	4	1	4	£26,300,000	20%	£5,260,000
New harmonised pay and reward strategy due for implementation from 1 March 2025. Risks to the council grow the longer it takes to implement a harmonised scheme. There is also the risk with a dynamic workforce that it will change the current financial estimates associated with the schemes implementation.	Commitment to achieving outcome and ongoing negotiations with Trade Unions	Detailed workplan to deliver harmonised pay and grading structure <i>Impact based on a 1% variation to the pay bill.</i>	3	2	6	£1,899,000	30%	£569,700
Loss or disruption to IT Systems and Networks from cyber attack.	Mandatory training, security, protocols, encryption, and constant review of threats	Continue current control framework	4	2	8	£12,000,000	40%	£4,800,000
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	30%	£450,000
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> This includes the claim issued by Thurrock Council seeking to mitigate its failed solar farm investments. BCP is one of 23 councils who have received a claim via its membership of the Association for Public Service Excellence (APE) which Thurrock claim provided them with valuation advice.	Statutory and regulatory controls, internal governance procedures, professional advisers.	Monitor any such claims and seek approaches which limit liabilities.	3	2	6	£1,500,000	30%	£450,000
Council Emergency Planning responsibilities - Uninsured losses and unbudgeted operational costs as a result of a major incident or large scale emergency for example storms, floods etc.	Operational procedures and planning underpinned by the multi-agency Local Resilience Forum and BCP Emergency Planning Team .	Consider potential to obtain national funding under the Bellwin scheme which will pay 100% of eligible expenditure above 0.2% of the councils annual budget threshold.	3	1	3	£690,000	10%	£69,000

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Risk of insurance claims greater than that provided for in the annual budget to cover excesses based on self insurance thresholds. Pressure in insurance market is moving towards greater excesses and or decisions to deliberately not insure certain assets for their potential maximum restatement value to ensure overall insurance costs are affordable (e.g. Bournemouth Pier , Bournemouth International Centre, Civic Centre).	Earmarked Reserve and provision on balance sheet for known liabilities. Regular monitoring by insurance team.	Continue with regular monitoring arrangements and ongoing discussions with insurers	4	1	4	£67,000,000	20%	£13,400,000
Risk of a major fraud being undertaken against the council	Management first line of defence. Second line of defence internal governance arrangements including boards/committees. The final line of defence is Internal Audit work programme.	Continue governance arrangements including mandatory training module.	3	1	3	£1,000,000	10%	£100,000
Economic impact from failure to invest and adapt to climate change	Council investment and delivery plans including, decarbonisation of council estate, flood and coastal erosion mitigations and greening of the vehicle fleet. Local Area Energy Plan identifying regional actions needed to reach net zero for area. Carbon Literacy Training being rolled out. Carbon Neutral Steering	Continue controls, investment plans and work with sustainability officers. Impact based on annual cost the council would have to incur on purchasing carbon credits.	4	2	8	£3,000,000	40%	£1,200,000
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
Interest Rate Risk. Unanticipated movements could lead to reductions in income from the investment of the Council's day to day cash balances and reserves.	Established quarterly financial monitoring arrangements in place 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	£20,000	10%	£2,000

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VAT Exemption Limit. Council is allowed to recover VAT on exempt supplies up to a limit of 5% of taxable supplies. Should an authority breach this threshold all exempt VAT becomes irrecoverable and a cost of the council. Examples of capital investment that would need careful management would be any investment around crematoriums.	Particular risk around capital expenditure is regularly reviewed to ensure any relevant capital schemes are structured in a VAT efficient manner. Similarly risk mitigation in place on all new lease agreements / assignments / amendments.	Continue to emphasise to all service managers the importance of seeking tax advice at early stages of capital schemes.	3	1	3	£2,400,000	10%	£240,000
<b>TOTAL PROPOSED MINIMUM LEVEL OF BALANCES</b>						<b>£324,091,304</b>		<b>£101,550,646</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 25% and 50% quartiles would assess the range to be around £25.4m as a minimum and around £50.8m at the maximum.

The proposal is that unearmarked reserves are held at £26.6m to reflect the operational risks of the Council.  
As a percentage of Net Revenue Expenditure this is estimated to be 7.7%.

CIPFA benchmarking would indicate un-earmarked reserves for a unitary council should be maintained between £17.2m (5%) and £34.5m (10%) of the Council's £344.689m 2024/25 Net Revenue Expenditure level.