

## BOURNEMOUTH, CHRISTCHURCH AND POOLE

### General Unearmarked Reserves - Risk Assessment 2026/27

Risk Description / Liability	Controls in Place	Proposed Management Actions	Impact	Likelihood	Residual Risk Score	Potential Impact	Weighting	Weighted Amount
<p>High Needs budget element of the Dedicated Schools Grant (DSG). Assessment of the in-year deficit for 2025/26 is £71.5m with the total accumulated deficit forecast to grow from £113.3m as at 31 March 2025 to £184.8m on 31 March 2026. For 2026/27 this accumulated deficit is forecast to grow by £96m. Following government regulation the Council is currently not able to set aside resources in the general fund to act as a counterweight. From 1 April 2025 the council was technically insolvent as the deficit was greater than the level of general fund reserves. The risk recognises that this deficit will remain with the council, subject to any government support for historic and accruing DSG deficits when the government take responsibility for day to day SEND expenditure in April 2028.</p>	<p>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.</p>	<p>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 assumed mid-year position.</i></p>	4	3	12	£231,450,000	70%	£162,015,000
<p>Risk of non delivery of the 2026/27 assumed savings, efficiencies and additional resources</p>	<p>Structured process via the budget monitoring process</p>	<p>Continual specific monitoring of savings as part of the budget monitoring framework.</p>	4	2	8	£13,951,000	40%	£5,580,400
<p>Delivery of services within the baseline of available budgeted resources for 2026/27. 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 2026/27 a particular risk is the extent to which providers of commissioned services look to the council to cover national living wage and other inflationary pressures which they are unable to absorb.</p>	<p>Robust commissioning, service monitoring and Medium Term Financial Planning processes.</p>	<p>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></p>	4	1	4	£9,350,000	20%	£1,870,000
<p>Delivery of services within the baseline of available budgeted resources for 2026/27: Homeless and housing services including a reflection of the cost exposure to expensive forms of temporary accommodation such as bed and breakfast.</p>	<p>Robust service monitoring and Medium Term Financial Planning processes.</p>	<p>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></p>	1	2	2	£336,900	5%	£16,845

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Delivery of services within the baseline of available budgeted resources for 2026/27. Children's Services. This includes to relentless increases in demand for services alongside the impact of inflation and national policy announcements such as the increase in the national living wage.	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 2026/27</i>	4	2	8	£5,582,750	40%	£2,233,100
Payment from government under the Extended Producer Responsibilities (ERP) requirements is not guaranteed. In addition if it is deemed the council is not compliant in regards to effective waste management services it could be fined up to 20% of its ERP payment of £9.703m.	Robust service monitoring and liaison with PACK UK	Continue monitoring and necessary liaison with scheme administrator	3	2	6	£1,941,000	30%	£582,300
General operational risk of a reduction in fees, charges and rents income against 2026/27 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 £109.874m estimated amount included in the revised 2025/26 budget.</i>	3	2	6	£2,197,480	30%	£659,244
Microsoft licensing costs. Revised pricing structure could lead to being exposed to unbudgeted costs specially associated with human resources arrangements and a requirement to have a full dynamic license to process timesheets.	Significant investigation by the councils ICT service and discussion with licensing reseller, Microsoft and peer colleagues which has identified a bug that needs to be fixed.	If bug not fixed the council will need to resolve its operating arrangements by 15 April 2026 license renewal date. <i>Impact assumes the minimum exposure if the bug does not resolve the problem.</i>	3	2	6	£1,000,000	30%	£300,000
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	£2,008,000	30%	£602,400
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 2025 - CPI 3.4%	Monitoring of relevant developments and indicators. Consider extent to which the Council can influence local market pressures. <i>Based on 2025/26 revised budget estimate of premises, transport, contract payments, agency payments, supplies &amp; services costs (£568m) and a 1% variation.</i>	4	2	8	£5,680,880	40%	£2,272,352

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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	£1,438,745	10%	£143,875
Significant assumptions included in the 2026/27 base budget of the Council related to Council Tax income. Includes potential for ongoing 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	£2,970,334	40%	£1,188,134
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.	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 2026/27 budget.</i>	2	2	4	£621,168	20%	£124,234
Generation of the required level of capital receipts to fund the approved transformation and invest to save 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 £18.5m is required over the 4 year period to 31 March 2029, of which £11.5m has been generated as of January 2026 and a further £5.8m is due before the 2025/26 financial year end. A particular risk will be the generation of additional capital receipts to support any capitalisation direction requests.	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 £23.5m which maybe required to cover a capitalisation direction for the next 2-years less the current £10.7m projected 4-year capital receipts surplus.</i>	4	1	4	£12,846,000	20%	£2,569,200
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 2026. Risk resources allocated will be lower than those outlined in the provisional settlement received in December 2025. Particular risk as this is the first year of the application of the government new fair funding formula.	Ongoing monitoring of Government announcements	Impact based on a 5% adverse variance based on the provisional Revenue Support Grant allocation to BCP Council for 2026/27	4	1	4	£3,265,380	20%	£653,076

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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 2027/28 and 2028/29 plus any funding gaps for those years.</i>	4	2	8	£23,732,000	40%	£9,492,800
A new pay and grading structured was implemented in December 2025. This mitigated risks associated with legacy arrangements which grew the longer it took to agree a harmonised position. Consequential risks detailed in the Council report included additional annual incremental drift exposure of £4m up from £1.5m per annum and the calculation excluded vacant posts, casual employees, apprentices, agency staff or any future remapping's.	People and Culture management process supporting remapping's and appeals. Budget holders management of their services costs	Ongoing People & Culture and Budget Holder arrangements. <i>Impact based on a annual additional incremental drift exposure.</i>	3	2	6	£2,500,000	30%	£750,000
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>	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.	2	1	2	£815,526	5%	£40,776

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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 1% reduction in interest rates (what the markets refer to as downside risk).</i>	1	3	3	£145,556	10%	£14,556

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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 to 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>£412,732,720</b>	<b>£211,973,291</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 75% quartiles would assess the range to be around £52.9m as a minimum and around £159m at the maximum. However ignoring the DSG deficit, which a Stautory Instrument currently advises us to do, would put the range down to between £12.5m and £37.5m.

The budget has been drawn based on unearmarked reserves of £24.5m to reflect the operational risks of the Council. As a percentage of Net Revenue Expenditure this is estimated to be 6%.

CIPFA benchmarking would indicate un-earmarked reserves for a unitary council should be maintained between £20.4m (5%) and £40.8m (10%) of the Council's £407.763m 2026/27 Net Revenue Expenditure level estimate.