

BOURNEMOUTH, CHRISTCHURCH AND POOLE

General Unearmarked Reserves - Risk Assessment 2019/20

Risk Description / Liability	Controls in Place	Proposed Management Actions	Impact	Likelihood	Residual Risk Score	Potential Impact	Weighting	Weighted Amount
Final Local Government Finance Settlement not due until early February. Risk that final resources allocated by Government will be more severe than the provisional settlement.	Participation in Government teleconference and monitoring announcements.	Continue to monitor developments. Impact based on benefit of negative revenue support grant.	4	1	4	£3,048,000	25%	£762,000
Significant assumptions included in the 2019/20 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	£2,102,000	50%	£1,051,000
Instability to the Council's core funding streams due to the potential for variation in the £144m+ 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	£1,440,000	50%	£720,000
Significant assumptions included in the 2019/20 base budget in respect of the baseline costs of the new Council.	Structured process to robust budget monitoring	Establish monitoring arrangements including quarterly reports to Cabinet. <i>Impact based on a 1% variation on the net budget of the Council</i>	4	2	8	£2,739,150	75%	£2,054,363

Risk Description / Liability	Controls in Place	Proposed Management Actions	Impact	Likelihood	Residual Risk Score	Potential Impact	Weighting	Weighted Amount
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 an claimant numbers	Establish monitoring arrangements. Based on risk of a 5% increase in caseload.	3	2	6	£1,320,350	50%	£660,175
General operational risk of a reductions in fees, charges and rents Income. <i>Risk also reflects the new 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 3% variation in the estimated amount.</i>	3	2	6	£2,355,360	50%	£1,177,680
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	£5,400,000	75%	£4,050,000
Significant assumptions included in the 2019/20 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	Establish 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	£2,663,000	75%	£1,997,250
Unforecast increase in service demand for Childrens 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 based on local government experience.</i>	4	2	8	£3,100,000	75%	£2,325,000

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 annual ongoing deficit is £4.8m based on 2019/20 position. Limited Government recognition of unfunded burden for 19 to 25 Education Health and Care Plans (EHCPs) they passed to local authorities in increasing age range. Need to identify ongoing sustainable solution.	Robust monitoring of the financial position and regular review by the BCP Schools Forum.	Ongoing dialogue/lobbying of Government and consideration of the matter with the BCP Schools Forum	4	2	8	£4,800,000	75%	£3,600,000
Insufficient resources to address any unresolved issues associated with the disaggregation of costs previously incurred by Dorset County Council. A good example is the costs in respect of Christchurch adults and children supported by the council where the understanding of the care packages is still being refined.	Delivery Boards work in developing their budget proposals.	Ongoing dialogue, understanding of client group and refinement of their costs.	3	2	6	£1,500,000	50%	£750,000
Council Change Programme includes the implementation of new systems such as the MOSAIC Adult Social Care System in respect of Bournemouth service users	Adult Delivery Board ongoing review of the progress with the programmes delivery.	Continue to review progress and monitor implications	2	3	6	£1,000,000	50%	£500,000
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 are unable to 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>A good example would be from the implications of the Resources and Waste Strategy.</i>	Ongoing review of Government policy proposals. New burdens doctrine.	Monitoring of Government policy proposals.	3	2	6	£1,500,000	50%	£750,000

Risk Description / Liability	Controls in Place	Proposed Management Actions	Impact	Likelihood	Residual Risk Score	Potential Impact	Weighting	Weighted Amount
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 2018 - CPI 2.1%	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 2% variation.</i>	4	1	4	£4,592,480	25%	£1,148,120
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 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 previously 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 Councils stake in third party organisations and companies.</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

Risk Description / Liability	Controls in Place	Proposed Management Actions	Impact	Likelihood	Residual Risk Score	Potential Impact	Weighting	Weighted Amount
Risk associated with the transfer of staff from four separate councils into Bournemouth, Christchurch and Poole with variations in their legacy terms and conditions of service.	Mitigation prior to vesting day to create a level of consistency and work with Korn Ferry to establish a harmonised pay and grading structure.	Delivery of a harmonised pay and grading structure as soon as is feasible in the life of the new Unitary Authority. <i>Impact based on a 2% variation to the pay bill.</i>	4	2	8	£2,982,900	75%	£2,237,175
Insufficient resources to support necessary capital infrastructure developments. Council currently has limited capital resources and an allocated revenue contribution to capital in 2019/20.	Schemes will only be approved once necessary resources are in place	Establish capital allocation processes.	3	2	6	£2,500,000	50%	£1,250,000
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	£2,500,000	50%	£1,250,000
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	£5,000,000	75%	£3,750,000
Organisational capability and capacity to deliver change programme	Established programme management team and the level of BCP corporate programme resources already set side.	Regular programme management update reports to Shadow Executive and future Cabinet	2	2	4	£1,000,000	25%	£250,000
Pension Fund Deficit. Tri-annual valuations undertaken. Next one due in April 2019 for implementation of impact from 2020/21 onwards. Potential for significant increase due to (a) further tightening of Government regulation around extent of deficit a pension fund can hold (b) market volatility.	Ongoing dialogue with representatives of the Dorset County Pension Fund (DCPF)	Regular monitoring discussions with the DCPF administrator and the actuary. <i>Impact based on further 1% impact on pay bill.</i>	3	2	6	£1,491,450	50%	£745,725

Risk Description / Liability	Controls in Place	Proposed Management Actions	Impact	Likelihood	Residual Risk Score	Potential Impact	Weighting	Weighted Amount
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 2019/20 base budget of £11.2m 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	£2,800,000	25%	£700,000
The £27.3m of savings and efficiencies an additional resources required to balance years 2 to 4 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 £11.2m identified in order to balance the 2019/20 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	£6,825,000	25%	£1,706,250
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
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

Risk Description / Liability	Controls in Place	Proposed Management Actions	Impact	Likelihood	Residual Risk Score	Potential Impact	Weighting	Weighted Amount
Implications of the United Kingdoms process for exiting the European Union. On the 28 January 2019 MHCLG announced some grant resources for Brexit preparation.	Predecessor Council and Shadow Executive regular consideration of the evolving issue.	BCP engagement with Dorset Local Resilience Forum and port authorities	3	2	6	£1,500,000	50%	£750,000
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						£73,254,690		£36,669,238

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 **£14.7m as a minimum** and around **£29.3m at the maximum**.

CIPFA benchmarking would indicate un-earmarked reserves for a unitary council should be maintained between £13.7m (5%) £27.4m (10%)

The proposal is that un-earmarked reserves for BCP are maintained at £15.4m (5.6%) 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 reserves for each of the service areas (Adults / Childrens / Place / Corporate) and the capital contingency.