

# 1. Risk Assessment

*The Council takes a measured risk-based approach to the budget setting process*

- 1.1 A comprehensive financial risk assessment is undertaken for the revenue and capital budget setting process to ensure that all risks and uncertainties affecting the Council's financial position are identified as far as is reasonably practical. These are reviewed each year as part of the refresh of the MTFS and future year's budget forecasts. The key strategic financial risks to be considered in developing the MTFS are included within the table below.
- 1.2 Medium term financial planning, set against a backdrop of severe reductions in Government funding and unprecedented economic challenges, both nationally and globally, carries with it a significant element of risk. Many factors may impact on the figures presented here and themes have been highlighted where appropriate. Most significant are the spending pressures (waste/homelessness), the hyperinflation the country is currently experiencing, and the future funding position for local government following ongoing delays with things such as the Fair Funding Review. All of these issues are placing further pressure on the council to deliver balanced budgets, without impacting on frontline services.
- 1.3 There have been issues with some areas of the Council's business with regards the supply chain issues with the new waste fleet having to be ordered a year in advance of delivery, and we are continuing to see increased costs in terms of labour supply and for construction costs in respect of the Council's capital programme.
- 1.4 A recession would present further risk, in particular significant areas of income such as lettings income, planning fees and car park income that are linked directly to economic demand, and although a recession has so far been avoided analysts still firmly believe that it will happen soon.
- 1.5 Uncertainty around current and future local government finance policy will undoubtedly affect our finances over the coming years but hopefully this will become more stable following the upcoming general election.
- 1.6 Despite these risks, we will continue to plan effectively to strengthen our culture of strong financial management so that the Council can continue to meet its Corporate Plan priorities and provide the best possible services to the borough.
- 1.7 As part of strengthening the financial management of the Council, we will be looking to deliver a medium term financial policy that details future savings beyond 2024-25 to show how the budget will remain balanced over the four year period.

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Risk Management</b>
Future available resources less than assumed.	Possible	High	Annual review of reserves and reserves policy to identify future resources. Assumptions on funding for 2024/25 and beyond are based on best estimates at this time. A prudent approach has been adopted based on previous years' experience as well as using regional network contacts to inform modelling.

Efficiency/transformation initiatives not delivered	Possible	High	The MTFS is currently forecasting significant budget gaps, peaking at £1.6m in 2026/27. Use of one-off reserves to help plug these gaps is not sustainable.
Planned savings not delivered	Possible	High	The MTFS contains budget changes resulting from agreed service changes. Ongoing monitoring of the achievement of these, through regular budget monitoring, will help identify any issues.
Uncertainty around government grant funding	Possible/likely	High	The MTFS is currently forecasting government grant funding of £1.7m per year which we hope will continue. Any reduction in this amount will add to the savings requirement.
Overreliance on reserve contributions supporting base budget deficits which is not a sustainable position.	Likely	High	Early preparation of 2024/25 MTFS to address the ongoing budget gap and deliver a sustainable base budget position.
Volatility of business rates funding given uncertainty around impact of appeals.	Likely	High	Volatility of funding stream outside of council control but impact mitigated by establishment of specific earmarked reserve and financial monitoring framework. Modelling of potential impacts is used to inform internal financial planning.
Pay Awards, fee increases and price inflation higher than assumed.	Possible	Medium	Impact of potential increases mitigated by central contingency budget for pay, price increases and fees. Where pay awards have been agreed these will be factored into the future estimates.
Future spending plans underestimated.	Possible	Medium	Service planning process identifies future budget pressures, and these will inform the indicative budget forecasts. An effective budget monitoring framework is in place to identify in year and potential future cost pressures.
Anticipated savings/efficiencies not achieved.	Possible	High	Regular monitoring and reporting takes place but the size of the funding cuts increase the likelihood of this risk. Non-achievement of savings would require compensating reductions in planned spending within services.

Revenue implications of capital programmes not fully anticipated.	Unlikely	Low	Capital bid approval framework identifies revenue implications and links to Council priorities. Full analysis of revenue implications assessed and considered in scenario planning.
Income targets not achieved.	Possible	Medium	Current economic climate likely to impact. Regular monitoring and reporting takes place. Full review of fees and charges scheduled for 2024/25 along with an annual review process.
Budget monitoring not effective.	Unlikely	High	Regular monitoring and reporting in line with corporate framework. Action plans developed to address problem areas. Track record of delivering budget.
Exit strategies for external funding ceasing/tapering not met.	Possible	Medium	Regular monitoring and reporting, medium-term planning, review of fixed term funding and posts completed.
Loss of principal deposit.	Unlikely	Medium	Limited by the controls in the Treasury Management Strategy which balance security of deposit over returns. Impact limited due to the strategy of a diverse portfolio with top rated institutions.
Interest rates lower than expected.	Unlikely	Low	Regular review, monitoring and reporting on interest rates. Prudent assumptions on likely interest rates for 2024/25 will be incorporated into the budget.
Collection rates for retained business rates and council tax lower than anticipated.	Possible	High	Impact mitigated by the review of bad debt provisions and availability of reserves. Monitoring of Collection Fund is formally incorporated into the revenue monitoring process.
All MTFS risks not adequately identified.	Unlikely	Low	Council's Risk Management Framework ensures all operational and strategic risks are identified as part of the annual service planning process.