Public Report

Birmingham City Council

Report to Cabinet

11 October 2022

Subject:	**Medium Term Financial Plan (MTFP) Update**
Report of:	Director of Council Management and S151 Officer – Rebecca Hellard
Relevant Cabinet Member:	Councillor Ian Ward, Leader of the Council Councillor Yvonne Mosquito – Finance & Resources
Relevant O &S Chair(s):	Councillor Aklaq Ahmed - Resources
Report author:	Director of Finance (Deputy S151) – Sara Pitt

Are specific wards affected? If yes, name(s) of ward(s):	☐ Yes	☒ No – All wards affected
Is this a key decision? If relevant, add Forward Plan Reference: 010142/2022	☒ Yes	☒ No
Is the decision eligible for call-in?	☒ Yes	☐ No
Does the report contain confidential or exempt information? If relevant, provide exempt information paragraph number or reason if confidential:	☐ Yes	☒ No

1 Executive Summary

1.1 The Council needs to ensure that it has an up to date and robust plan for how it will manage its finances and maintain financial viability across the medium term. This report is part of the process of doing so. It provides an update to Cabinet on the latest Medium Term Financial Plan (MTFP) position. The latest position is based on information available up to September 2022.

1.2 This report updates the assumptions used in calculation of the Medium Term Financial Plan in light of the current economic situation as well as highlighting the work officers have been undertaking to identify and implement plans to close the Medium Term Financial gap, full details of which will be published and presented to Cabinet and Full Council in February 2023.

1.3 Since the Financial Plan was agreed in February 2022, sound financial management work has been underway to close the £33m reported budget gap, including spend controls, benchmarking, a review of reserves to ensure that activities they were set aside for have been undertaken and that they can be drawn down, previous modelling assumptions and transformative work. However, the national economic situation and the rise in inflation since February means that all Councils are experiencing further pressures on their budgets. After taking all these changes into account there has been an increase in the net budget gap to £80m for 2023/24.

2 Recommendations

2.1 It is recommended that Cabinet should note:

- The impact of the economic situation on the assumptions used in the Medium Term Financial Plan (MTFP) since budget approval in February 2022
- the approach for the development of the budget for 2023/24 which will continue to focus on alignment of resources to the Corporate Plan and delivery of value for money services
- Developing best in class services that deliver on economy and efficiency, by:
    - a review of base budgets to identify opportunities for savings via:
        - reduced expenditure for planned growth and inflation;
        - acceleration of expenditure reduction;
    - income generation plans;
    - a review of reserves to ensure they are being used effectively and their application in the budget process
- the budget timetable, including timeframes for the engagement with citizens and businesses
- The estimated risks and mitigations so far identified as set out in this report.

3 Background

3.1 As stated in the Financial Plan in February 2022, 2022/23 is "…one of the most challenging periods in public sector finance." This update is written in the context of the country entering a recession, inflation at levels not seen in decades, rising interest rates, with a cost of living crisis and a Government that has announced a number of measures to stimulate economic activity which is likely to prolong higher inflation, all be it, not at the peak previously forecast.

3.2 A number of events have added to those risks identified in February 2022, both the World and Domestic decisions have impacted on the UK economy by:

As identified in February:

- the ongoing financial impact post the Covid 19 Pandemic;
- the residual impact of a decade of austerity measures;

Further or crystallised events

- Increasing inflation driven by such factors as the war in Ukraine and its direct impact on the wholesale cost of gas and oil giving rise to extreme increases in domestic and business energy costs, supply chain issues, changes in employment patterns in the UK and most recently the drought impacting on harvest yields;
- The Chancellors' Fiscal Statement (Mini-Budget) introducing tax cuts.
- the Bank of England has been increasing bank base rates to try and reduce demand and increase saving, but this will take time to work through the economy.
- The Bank of England's intervention in the Bond market, buying up Government Gilts.

3.3 The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. At its meeting on 22 September 2022, the MPC voted to increase the Bank Rate by 0.50%, to 2.25%. It is likely that the rate will be increased further, with the recent announcements by Government on tax cuts expected to prolong the period that higher inflation will remain in the economy. The Bank of England also intervened in the Bond Market, buying Government Gilts to calm the market.

3.4 CPI inflation was expected to rise from 9.9% in August to over 11% in 2022 Q4, and to remain at very elevated levels throughout much of 2023, it had been expected to fall back to the 2% target two years ahead, however there is a view that higher inflation will remain for a longer period, given the Governments recent announcements. Although there has been speculation that there would be an impact of the various energy cost support schemes, the Office for National Statistics (ONS) completed its classification review of the Energy Bills Support Scheme (EBSS) and its treatment in consumer price inflation statistics in August 2022. They concluded that payments under the scheme will not affect consumer price inflation. Other more recently announced policy proposals will go through the same ONS procedures to determine their treatment in the consumer price inflation statistic.

3.5 Gross Domestic Product (GDP) growth in the United Kingdom is slowing. The rise in gas prices has led to a significant deterioration in the outlook for activity in the United Kingdom and the rest of Europe. The United Kingdom is now projected to enter a recession from the third quarter of this year, with a fall in GDP of 0.1% in the first quarter (April-June) and a forecast fall in the second quarter (July-September) also of 0.1%; this is earlier than previously forecast. Real household post-tax income is projected to fall sharply in 2022 and 2023, while consumption growth turns negative.

3.6 Domestic inflationary pressures are projected to remain strong over the first half of the forecast period. Firms generally report that they expect to increase their selling prices markedly, reflecting the sharp rises in their costs. The labour market has remained tight, with the unemployment rate at 3.6% in the three months to July and vacancies at historically high levels. Although the labour market may loosen only slowly in response to falling demand, unemployment is expected to rise from 2023.

3.7 Although the specific support measures announced by the Government to help households over this winter, will bring down the peak of inflation, the tax cutting measures will benefit those more able to afford price rises more than those on lower incomes. As a consequence of the combined effects of the cost of living crisis and Government policy, it is likely that demand for our services will increase. Particular areas expected to be impacted are an increase in those presenting themselves as homeless, requirement for social care, mental health and the ability for people to pay us.

3.8 The cost of living crisis is being taken seriously by the Council and there are a number of actions being undertaken in the current financial year (2022/23):

- Cabinet approved an additional £1.3m to support the most vulnerable in our cities on top of the £12.6m being spent via the Household support fund;
- The Council has ensured that over £56m has been paid out in Council Tax Energy Rebates to approximately 376,000 households out of a total of 390,000;
- The Council has begun to issue Healthy Start vouchers to eligible children with the Children's Trust granting hardship payments to those most in need;
- The Council is working with third sector partners to promote debt prevention and providing advice on cash management as well as promoting benefits take up – which will be crucial in ensuring that the most vulnerable receive some support as quickly as possible. The Council has also announced plans to look at the feasibility of creating warm banks across the City as we head into autumn and winter.

3.9 The Council is aware that even the above measures will not be enough to fully mitigate the impact of the rising cost of energy, food and fuel.

3.10 Therefore, the Council is moving to deploy further resources to support residents and businesses. The Month 5 Financial Report for 2022/23 at this October Cabinet requests allocation of £5m from Council reserves to be set aside to support our residents.

3.11 Due to the extraordinary economic situation nationally, it was agreed that a brief high level Financial Monitoring Report will be provided to Cabinet each month during 2022/23. More detailed reports will continue to be provided on a quarterly basis.

3.12 We continue to recognise that there are a number of risks to balancing the budget. These risks must all be carefully gripped and managed at pace and offset by opportunities to make savings.

3.13 There are inflationary and demographic pressures on the Council, however, there are rigorous spend controls in place in 2022/23 to mitigate these pressures, focusing on areas of high spend which includes workforce, procurement and property and facilities management.

4 Updated Position

4.1 The key movements from the MTFP position since City Council approved the budget in February 2022 are shown in the table below. The projections continue to identify a significant budget shortfall across the medium term, with a cumulative budget gap of £80.1m in 2023/24 rising to £146.5m in 2026/27, which reflects the extent to which the costs of current service provision exceed the funding levels.

4.2 Because of the volatility of the economic situation, with the extent and type of Government intervention, likely to have both foreseen and unforeseen consequences, a range of scenarios for inflation have been calculated. The table below shows a mid-point of these scenarios with inflation being calculated as 7.5% 2023/24, 3.7% 2024/25, before falling back to the Bank of England target of 2% in subsequent years. It should be noted that most economic experts are predicting that inflation may remain above target for a longer period following the Chancellor's Fiscal Statement on Friday 23 September 2022, further work will be required to quantify what this may mean for future years.

4.3 Paragraphs 4.12 to 4.16 show the inflation scenarios and the potential additional pressure they would put onto the budget.

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Budget as at February 2022 Cabinet	**32,555**	**32,444**	**32,794**	**35,726**
Expenditure				
Corporately Managed Budgets	(4,859)	(6,980)	(8,474)	(3,059)
Meeting Budget Pressures & Policy Choices				
Staffing	4,248	6,256	6,256	6,256
Demand/Complexity Growth	72,476	67,765	70,900	81,239
Statutory Requirement	2,406	2,406	2,406	2,406
Borrowing costs, investment etc	16,650	16,650	16,650	16,650
Budget Pressure & Policy Choices Sub-total	**95,780**	**93,077**	**96,212**	**106,551**
Pay Inflation	24,154	24,703	25,265	25,843
Contract Inflation	29,831	30,092	30,690	31,306
Other Inflation	13,113	13,956	15,385	16,903
Inflation Sub-total	**67,098**	**68,751**	**71,340**	**74,052**
Mitigating Options				
Children and Families	(83)	(83)	(83)	(83)
City Operations	(500)	(500)	(500)	(500)
Place, Prosperity and Sustainability	(174)	(174)	(174)	(174)
Adult Social Care	(32)	(32)	(32)	(32)
Savings Subtotal	**(789)**	**(789)**	**(789)**	**(789)**
Total Expenditure Movements	**157,230**	**154,059**	**158,289**	**176,755**
Resources				
Business Rates	(45,832)	(45,524)	(47,760)	(51,526)
Council Tax	(23,319)	(9,018)	(4,337)	(4,458)
Net Payment to/(from) Reserves	(23,264)	-	-	-
Other Grants Excl DSG & ABG	(4,907)	(7,514)	(8,485)	(8,860)
Top Up Grant	(12,333)	(5,919)	(5,419)	(1,084)
Total Resources Movement	**(109,655)**	**(67,975)**	**(66,001)**	**(65,928)**
MTFP Budget Gap at October 2022	**80,130**	**118,528**	**125,082**	**146,553**

4.4 Budget pressures and Policy choices are anticipated to increase by £95.780m in 2023/24 as shown in the table above, the main specific pressures are:

- Staffing £4.248m
- Demand/Complexity Growth £72.476m
- Statutory Requirements £2.406m
- Borrowing costs etc £16.650m

4.5 Demand and complexity cost are mainly driven by the Children's Services, including the Birmingham Children's Trust and Assisted Travel costs.

4.6 The assumption that the Fair Cost of Care reforms will be cost neutral remains as per the February Financial Plan.

4.7 Public Works Loan Board (PWLB) interest rates have increased markedly over the last week, in light of the Gilts market, which will increase our cost of borrowing above the prudent assumptions we had made.

4.8 The Business Rates forecast for 2023/24 is £45.8m higher than previously assumed. Full details of the movement is shown in Appendix B.

4.9 The Council Tax forecast for 2023/24 is £1.0m less than previously forecast as at this stage, we are being cautious and assuming that the non-collection rate will be 3.15% as assumed in 2022/23, rather than the 2.90% assumed in the years before Covid. For years from 2024/25, we are assuming that the non-collection rate will return to 2.90%, and the forecast is in line with previous assumptions.

4.10 We assume that the Council will take up the offer by DLUHC to increase the Adult Social Care precept by 1% in both 2023/24 and 2024/25.

4.11 Contract inflation has been assumed at an average of 7.5%, unless specific data is available. This is being kept under review as the timings and the negotiated position become clearer

4.12 General inflation has been calculated at 7.5%, however, given the expected recession, inflation at levels not seen in decades and a cost of living crisis, general Inflation has been calculated using a number of scenarios, the assumptions for CPI used in each are shown below:

	2023/24	2024/25	2025/26	2026/27
Scenario 1	5.0%	3.2%	2.0%	2.0%
Scenario 2 (Mid-Point)	**7.5%**	**3.7%**	**2.0%**	**2.0%**
Scenario 3	10.1%	4.5%	2.0%	2.0%
Scenario 4	14.0%	7.0%	2.0%	2.0%

4.13 In 2023/24 Scenario 2 (Mid-Point) includes the additional £14.0m that the 2022/23 pay offer (not yet accepted) will cost the Council, plus the incremental cost of a 4.5% pay award in 2023/24, returning to 2.5% subsequent years. Contract inflation of £29.3m and other inflation of £13.3m.

4.14 Scenario 1, which sees a rapid fall in inflation would reduce the pressure by £16.3m.

4.15 Scenario 3, which sees inflation remain at current levels for a longer period before falling in the falling year, increases the pressure by £21m.

4.16 Scenario 4, which sees inflation climbing further, before falling back increases the pressure by £27m.

4.17 All of the inflation assumptions will be kept under review as the economic outlook is volatile at present. As the implications of the Chancellors Fiscal Statement are further analysed, it is certain that the MTFP assumptions will have to be amended on a regular basis between now and the approval of the budget in February 2023, to take into account that volatility.

Ongoing work to look how to close the revenue financial gap

4.18 A number of options have been considered and work is ongoing:

- Use of benchmarking data and other insights to inform efficiencies
- Corporate Leadership Team (CLT) have collectively reviewed all current budget growth in 2022/23 and the planned growth for 2023/24
- A review of reserves continues to be undertaken, with all reserves which are currently held by the Directorates being held centrally, and any drawdown to be supported with a fully justified business case. Any residual amounts are applied to offset growth in future years whilst adhering to the Reserves Policy
- CLT have agreed that, where possible, all overspends, demands, growth, pressures must be managed and contained at a Directorate level and if unable to be resolved within the Directorate, to be mitigated at the CLT level. This will mean that no requests will come forward for a corporate solution
- A review of the transformation programme to ensure that it delivers effectively, focusing on the previously agreed three pillars:
    - Fit for Purpose Council: Delivering new ways of working
    - People: Shifting our focus from crisis to prevention
    - Place: Increasing the pace and scale of growth.

Next Steps

4.19 There remains significant uncertainty in respect of public spending levels and the level of funding for local government and therefore the assumptions outlined in this report will be subject to continual review over the coming months to ensure that the Council's short term and medium term financial stability can be protected and critical services delivered.

4.20 The timetable for the remainder of the budget planning process is as follows:

Activities	Date
Public engagement on resource prioritisation	Mid October – December 2022
Scrutiny of budget development proposals	November/December 2022
Provisional Local Government Settlement	Mid December 2022 (TBC)
Cabinet – setting of council tax and business rate tax base	17 January 2023
Final Local Government Settlement	January/February 2023 (TBC)
Cabinet consideration of the 2023/24 budget and Financial Plan	14 February 2023

5 Engagement

5.1 The Council believes that it is important that it engages with citizens and business when planning activity and the financial implications of those plans. Therefore, a plan of how to engage with those citizens and businesses is currently being completed, with a view of gathering the views of Council Tax and Business Rates payers.

6 Risk Management

6.1 Assumptions made in this report have been examined for risks and estimates of expenditure and income have been made on a prudent basis, informed by previous experience, evidence in the current financial year, market forces and service intelligence. An assessment of, and arrangements for, the management of the Council's principal budget risks is set out in the Strategic risk section Appendix D of this report.

7 Compliance Issues:

7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

7.1.1 The setting of a robust and balanced Medium Term Financial Plan will enable the Council to provide and deliver services within its overall corporate and financial planning framework. The Medium Terms Financial Plan underpins the delivery of he the Council's priorities as laid out in the Council Plan, and support the delivery of its plans and strategies.

7.2 Legal Implications

7.2.1 A local authority is required under the Local Government Finance Act 1992 to produce a balanced budget.

7.3 Financial Implications

7.3.1 The detailed financial implications have been covered throughout the report.

7.4 Procurement Implications (if required)

7.4.1 There are no procurement issues arising directly from the contents of this report.

7.5 Human Resources Implications (if required)

7.5.1 There are no specific human resources implications arising from this report. Any Human resource implication will be identified as specific budgets are developed.

7.6 Public Sector Equality Duty

7.6.1 In compliance with the Council's duties on equality, changes in the budget that impact on the provision of services will need to be properly assessed. An Equalities Impact Assessment will be undertaken on proposals as they are developed where this is considered necessary to do so.

8 Appendices

Appendix A – Financial Plan February 2022 Overview

Appendix B – Collection Fund Overview

Appendix C – Capital

Appendix D - Risk

9 Background Documents

9.1 Financial Plan 2022– 2026, approved by Council on 22 February 2022

Finance / Budget Monitoring – Month 5

Appendix A – Financial Plan February 2022 Overview

A1. Council approved the annual budget and Medium Term Financial Plan (MTFP) on 22 February 2022 as part of the annual budget setting cycle. A number of assumptions were used to enable the balancing of the 2022/23 Budget and in calculating a deficit ("Budget Gap") of £33m for 2023/24 onwards. This report updates the assumptions in light of the current economic and geo-political situation as well as highlighting the work officers have been undertaking to identify and implement plans to close the Medium Term Financial gap, full details of which will be published in February 2023. A review of service growth has also been undertaken to ensure that the latest financial forecasts reflect commercial and market realities and service pressures following two quarters of financial monitoring. A review has also been undertaken of forecasts for the main funding streams, including grants from Central Government, business rates and council tax incomes.

A2. Council approved the annual budget and Medium Term Financial Plan (MTFP) on 22 February 2022 as part of the annual budget setting cycle.

A3. The high level objectives of Birmingham City Council's Medium Term Financial Plan (MTFP) are:

- Prioritise resources to align spending plans with our vision and strategic priorities as outlined in the Corporate Plan. The corporate priorities will focus on benchmarking, best in class services, value for money, fit for purpose and a transformation programme that reflects the reallocation of resources to priority areas;
- Using our resources more effectively.
- Manage council finances within the context of a forward-looking service and financial planning framework to assist decision making processes;
- Maintain a balanced budget and continue to strengthen the medium term position through the development of transformative change across services and improving our processes to ensure value for money for local tax-payers;
- Manage financial risks and identify appropriate mitigations;
- Maintain the council tax and business rates income levels, taking into account the current economic conditions;
- Maintain the General Fund reserve at a minimum of 4.5% (£38.5m) of the annual net revenue budget to cover significant unforeseen expenditure;
- Maintain Earmarked Revenue Reserves for specific purposes, consistent with achieving our priorities and managing risks. The use of Earmarked Revenue Reserves will be in line with the Reserves Policy at Appendix 1 of this report;
- Identify the affordable level of capital investment required to support our corporate priorities whilst focusing on reducing the level of Council borrowing and remaining within prudential borrowing limits;
- Ensure that fees and charges are set at appropriate levels that take account of the economic conditions and ability to pay; and

- Pursue opportunities for securing external funding where available and use effectively where granted, and support opportunities for joint and collaborative working with partners to improve value for money.

A4. Budgets were balanced up to and including 2022/23 on the assumption that:

- £40.794m of savings were delivered during 2022/23.
- managers are diligent in working within budgetary envelopes.
- Council tax was increased by 2.99% (including 1% for social care), pay award of 2.5% was forecast and that income levels would largely return to pre- Covid levels

A5. Beyond 2022/23, the Council's forecast expenditure was expected to exceed its anticipated income by around £33m, producing a deficit ("Budget gap") which needs to be addressed.

Appendix B – Collection Fund Overview

Collection Fund- Council Tax and Business Rates

B1 The 2021/22 Collection Fund Outturn was a surplus of £32.5m due to an improvement in the position compared to the forecast made when setting the 2022/23 budget. This improvement, largely due to reduction in the Bad Debt provision needed, will be reflected in the 2023/24 budget.

B2 The In Year position for the Collection Fund (including Section 31 Grants) is currently forecast to be a surplus of £2.9m. There are however concerns about collection rates, given the economic situation, so a close eye will be kept on the situation.

B3 The current forecasts for 2023/24 (including Section 31 Grants) are £30.1m higher than previously shown in the MTFP, largely due to very large increases in inflation forecast compared to assumptions in February 2022, this will be kept under review as the economic situation unfolds.

Business Rates

B4 The in-year forecast has a deficit of £1.8m. Generally, a surplus or deficit on the Collection Fund impacts on the following year's budget, which in this case will be 2023/24. The deficit is mainly related to a deficit on reliefs of £1.7m (partially offset by extra Section 31 Grant).

B5 The Business Rates forecast for 2023/24 is £26.2m higher than previously assumed. This is largely because the inflation rate in September 2022 is expected to be 9.9%, rather than 2.0% previously assumed, thus increasing the yield from business rates by c£31m.

~~B6~~ The inflationary effect is partly offset by making a cautious assumption at this stage that the non-collection rate will be 3% as assumed in 2022/23, rather than the 2% assumed in the years before Covid. This reduced the forecast by c£5m. From 2024/25, we are assuming that the non-collection rate will return to 2%.

B7 The forecast for 2024/25 is also £45.5m higher than previously assumed, mainly due to inflation being assumed to be 4.5% in September 2023 on top of the effect of the 9.9% assumption for September 2022. Forecasts from 2025/26 onwards are also affected by this inflation assumption. After that, inflation is assumed to return to 2%.

Business Rates Related Grants

B8 Section 31 Grants are expected to be £1.1m higher than budget in 2022/23. This will partially offset the deficit on reliefs of £1.7m mentioned above.

B9 Section 31 Grants are expected to be £4.9m higher in 2023/24 and £7.5m higher in 2024/25, with similar increases in on-going years. This is largely related to inflationary effects in line with Business Rates.

Appendix B – Collection Fund Overview

Council Tax

B10 The in-year forecast is a surplus of £3.6m. Generally, a surplus or deficit on the Collection Fund impacts on the following year's budget, which in this case will be 2023/24. The in-year surplus is mainly due to lower than forecast costs of Council Tax Support and other reliefs and discounts, although as the cost of living crisis takes hold and any evidence of a change becomes clearer, the assumption will be reviewed.

B11 The Council Tax forecast for 2023/24 is £1.0m less than previously forecast as at this stage, we are being cautious and assuming that the non collection rate will be 3.15% as assumed in 2022/23, rather than the 2.90% assumed in the years before Covid. For years from 2024/25, we are assuming that the non-collection rate will return to 2.90%, and the forecast is in line with previous forecasts.

Top Up Grant and Business Rates Reset

B12 It was previously assumed that there would be a reset of business rates baselines in 2023/24, and that this would lead to a loss of resources of £11.3m from 2023/4.

B13 It is now assumed that there will not be a reset of business rates baselines until 2024/25. We therefore have removed the assumed loss of £11.3m of resources in 2023/24.

B14 However, from 2024/25, we are still assuming a loss of resources, and this loss rises from £13.3m previously assumed for 2024/25 to £15.5m, an increase in the loss of resources of £2.2m.

B15 The Government has announced that there will be no Spending Review in 2022, with Departmental limits remining at the level announced as provisional in 2023/24 in last years Review.

Appendix C – Capital Update

C1 Council's Capital programme was also approved as part of the budget setting process in February 2022 with planned investment of over £1.2bn in the four years to 2025/26.

C2 The capital programme is large and complex and driven particularly by the Council Plan. Covid-19 impacted the capital programme in 2020/21 and 2021/22 resulting in significant slippage of schemes into future years, changes to a number of schemes and additional costs. The 2022/23 Capital programme is beginning to be affected by supply side issues as well as inflationary pressures and the programme is being kept under close review and reported to cabinet as part of the financial monitoring in 2022/23. The quarter 1 report presented to Cabinet in July 2022 forecast capital expenditure in 2022/23 of £694.4m. The quarter 2 position is under review and will be reported at Cabinet in November 2022.

C3 The Council is continuing to develop a 25-year Capital Programme to provide a long-term strategic view of Capital expenditure. This will look to identify capital investment in priorities such as Council owned assets, including buildings and roads, and facilitating the growth in the Birmingham economy through major projects and supporting businesses in the city when it is considered financially viable to do so.

C4 The Capital Strategy priorities for new projects and programmes will focus on the Council Plan driven expenditure, statutory requirements and proposals that support revenue savings, income or service transformation. Supporting the Capital Strategy are the Property Strategy and the Commercialisation Strategy.

C5 The impact of the Gilts market on PWLB rates is being kept under review.

Appendix D – Risks

Risk	Mitigation	Existing Reserve/Provision £m	Residual Risk	Maximum Impact over Medium Term Financial Plan £m	Likelihood	Probability weighted medium term potential impact £m
Business Rates income reduced by re-set, non-payment, impact of recesssion or appeals	The Council has employed a company to identify business rates income not being recorded	20	Company actively identifying companies not recorded on the list and therefore not in current baseline. However, pandemic has caused a backlog to accrue at VAO delaying growth to baseline.Risk will always remain in the current system. Government has announced it will freeze the busines states multiplier for 2022/23. Any changes of significant scale would affect the whole of local government and would be highly likely to require government support. Currently government has delayed any change for the near future.	880	2%	18
Council Tax growth and collection rates	Council Tax growth forecasts are based on the Council's approved housing forecasts and plan. Growth has been lowered to reflect the impact of COVID. Assumption that collection rates will climb back up to pre-pandemic rates		Cost of Living Crisis and recession may impact of building and collection rates	21	10%	2

Council Tax collection falls below budgeted levels producing a deficit on the Collection Fund and impact on the following years budget.	The 2022/23 budget includes an increase in collection from 96.6% in 2021/22 to 96.85% in 2022/23. Pre pandemic collection rates were set at 97.1%. So while collection rates are not yet back to pre-pandemic rates they are gradually increasing.		There remains uncertainty around collection in 2022/23.	10	20%	2
Outcome of the Government Spending Review and Relevant Needs and Resources Review	The Government has announced that there will be no spending review in 2022		Risk has been pushed out beyond 2022/23 based on government announcements during 2022, settlement maybe at assumed inflation rate of 3.3%, which would eb real terms cut in funding	51	20%	10
Inflation increases at a greater rate than planned.	Generally provided for 7.5% inflation increase in 2023/24 within the budget on expenditure items. Contracts that run at a higher rate than the general assumption have been provided for separately in MTFP		Risk that inflation is higher than budgeted for and will therefore need to call on the Financial Resilience Reserve for funding.	20	25%	5

There is a risk that short-term and long-term interest rates rise above budgeted forecast	The Council has taken a more prudent view than commentators over the medium term.		There has been a steady rise in interest rates since the spring	16	50%	8
There is a risk that the new PWLB lending rules exclude BCC from accessing PWLB borrowing, and BCC will have to borrow from the market at a higher rate	Capital programme investments have been reviewed to ensure they are not primarily for yield. The Financial Plan sets out clearly a policy of not investing primarily for yield. Any acquisitions will be reviewed against PWLB guidance for compliance		Nil	0		0
There is a risk that invested treasury monies are unable to be returned e.g. Icelandic Banks/BCCI	Adoption of up to date treasury management practices, regular monitoring and advice from external advisors		Low risk	80	5%	4

There is a risk of capital commitments being entered into with revenue implications that are not reflected in the Budget.	All capital commitments must go through existing Council governance processes. Due diligence strengthened during 2021/22.		Low risk	75	5%	4
There is a risk in not achieving budgeted capital grants or capital receipts to fund commitment capital schemes which results in increased prudential borrowing.	Property are required to provide a schedule of disposals and regular updates on progress. Progress has been good in 2021/22 with a target of £100m looking achievable.		Disposals for 2023/24 may not be achieved either at all or when expected as the market could be flooded with properties listed for sale.	50	25%	13
There is a risk that the Capital programme overspends in anyone year and additional prudential borrowing is required in the short term	Regular capital monitoring is undertaken, robust budget setting and robust business cases supported by good project delivery.		Due to a history of slippage this risk has a very low likelihood.	5	5%	0
There is a risk of a Cyber-attack that severely disrupts operations or holds the Council to ransom	Investment and resources put into dealing with the cyber threat		The risk remains and other Councils have suffered attacks and financial consequences.	40	20%	8

Delivering the savings programme	A fundamental review of all savings proposals has been undertaken, there are some ambitious plans that need to be in place for the 1st April 2022		Not all listed savings will deliver a full year impact in 2022/23, resulting in a need to utilise some of the budget smoothing reserve.	30	20%	6
There is a risk of demand pressures in Adult Social Care causing an overspend	Annual demography is built into the budget plus additional social care market inflation. Monthly budget monitoring would identify at an early stage any overspend, and mitigations would be expected		There is a residual risk of an Adults overspend not being contained in one year, although in recent years the service has underspent and delivered its savings target. The ongoing long term impact of Covid on the service is still unknown.	80	10%	8

There is a risk of demand pressures in Children's Social Care causing an overspend in the contract payments to BCT as we see a rising number of complex cases	Annual demography is built into the budget plus additional baseline budget sufficiency sum reflected in 22/23 budget refresh. Monthly budget monitoring would identify at an early stage any overspend, and mitigations would be expected		There is a residual risk of a BCT contractual overspend not being contained in one year,	20	20%	4
There is a risk that SEND and Travel Assist continue to overspend.	Work is underway with a CIPFA review to understand the budget in greater detail, with growth of over £19m built into the budget for 2022/23		Given the ongoing budget review work and demand in this service there is a risk that the growth built into the budget is not enough.	20	20%	4
There is a risk based on recent history of City Operations Department not spending within its annual budget	Monthly budget monitoring would identify any overspend and mitigation would be expected.		Given its history of overspending there remains a residual risk in this Directorate.	15	20%	3

There is a risk of Property Services not delivering its income levels budgeted for	The MTFP and Financial Plan have been developed in line with service projections. Monthly budget monitoring would identify any overspend and mitigation would be expected.		However, in the current environment income levels could remain difficult to achieve	20	10%	2
There is a risk that the Highways PFI alternative arrangement will cost significantly more than the current budget provision	Re procurement is taking place now. The service is intending to re-procure within existing external funding	200	However there remains a residual risk that the Council could be required to provide additional funding	50	50%	25
Increased Pension Contributions required	The Council agreed a three-year payment plan with the pension fund to repay the pension deficit, beginning 2020/21. Any movements would be incremental from the current agreed recovery plan.		This is a tri-annual review	20	25%	5

Impact of COVID 19 - potential additional cost implications	Currently no Government funding for 2022/23 identified. The last Government funding as tranche 5 allocated in early 2022/23. Any unspent monies will be ring fenced and carried forwards to 2022/23	17.5	Costs exceed the remaining funding and fall on the Council's overall budget.	10	10%	1
Impact of Brexit – potential loss of grant income	There still remains some uncertainty over the Governments replacement of European Grant funding.			5	40%	2
Industrial disputes	Continuing discussions through ACAS			6	25%	2
Exceeding the 5% VAT Partial Exemption limit	Appropriate taxation advice is taken before each decision is taken			40	5%	2
Major Contract disputes	Ensure contracts are operated in accordance with the agreed Terms and Conditions. Earmarked reserves in place			10	10%	1

Appendix D – Risks

	to mitigate impacts.					
Successful Equal Pay disputes	Provision has been set aside for outstanding Equal Pay claims.	270		0	0%	0
Total Risk						**139**

70% deflator to reflect not all risks will happen at same time	**41.7**
General Fund Reserve	**38.4**
Estimated Financial Resilience Reserve balance at 31 March 2023	**61.2**