

Birmingham City Council

Report to Cabinet

12 October 2021



Subject: Medium Term Financial Plan (MTFP) Update

Report of: Interim Director of Council Management

Relevant Cabinet Member: Councillor Ian Ward, Leader of the Council

Councillor Tristan Chatfield, Cabinet Member Finance & Resources

Relevant O & S Chair(s): Councillor Mohammed Aikhlaq

Report author: Beverly Sullivan, Financial Planning

Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 009010/2021		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential:		

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) forecast, along with budget development plans. The latest position is based on information available up to September 2021.
- 1.2 The last update on the MTFP, provided to Cabinet on 27 July 2021, identified that due to a combination of expenditure pressures and changes in resourcing

assumptions, the financial gap had increased from around £80m (at February 2021 budget setting) to around **£116m** for the period to 2025/26.

- 1.3 Since that time, officers have been considering options for closing the medium term financial gap, full details of which will be published in February 2022 as part of the budget report. A review of corporate budgets and service pressures have also been undertaken to ensure that the latest financial forecasts reflect commercial and market realities and service pressures following almost 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 income.

2 Recommendations

- 2.1 It is recommended that Cabinet should

- Note the updated MTFP projections at section 3 and the revised financial gap of £58.1m in 2022/23, rising to £125.7m by 2025/26.
- Approve the Council's approach in closing the financial gap, which focuses on transformative change to the Council being delivered to improve outcomes for residents and lead to some associated cost reductions.
- Approve the Council's approach to consultation, which will focus on resource prioritisation, for which the outcome will inform the final development of the budget which will be brought back to Cabinet in February 2022.
- Review and note the budget risks and noting general reserves remain equivalent to 4.5% of the net budget to cover risks.

3 Background

- 3.1 Financial planning is occurring in a dynamic environment and budget assumptions are regularly reviewed and updated to reflect the latest circumstances. The updates covered in this report recognise the financial uncertainty as a result of funding reforms delays, the ongoing impact of the Covid-19 pandemic and anticipated service demands and pressures.

Government funding

- 3.2 Government is faced with a very uncertain and difficult post COVID economic outlook. The Chancellor's budget and Spending Review on 27 October 2021 will provide an update to their plans for addressing the national borrowing position, post recovery support and an indication of the likely public spending implications. Details of Government's spending envelope for the financial years 2022/23 to 2024/25 were published on 7 September 2021, which confirmed that there will be a 3-year settlement for local government and that the NHS has been signalled as the priority area for investment. As such the current working assumption for the MTFP is that Government funding will be cash flat across the medium term.

- 3.3 The Government's spending plans for the each of the years 2022/23 to 2024/25 have increased by around £14bn annually largely funded by the 1.25% increase in National Insurance Contributions (later to be replaced by the Social Care & Health Levy in 2023) for both employers and employees and on share dividends. Public sector spend is anticipated to increase by 3.1% over the Spending Review period, which is an increase of 1% compared to previous announcements. However, the overall public sector expenditure is around £2bn lower than that being planned pre-Covid. The Birmingham City Council General Fund pay bill increase from National Insurance contributions is expected to be around £3.2m, however there is some indication within the Government's spending plans that there is provision to meet the public sector costs of these increases either partially or wholly. For the purposes of medium-term planning, it is currently assumed that Government will fund these costs. It should be noted though that there will also likely be indirect consequences with increased national insurance costs being passed on by our suppliers.
- 3.4 Additional social care grants will be received by local authorities over the period 2022/23 to 2024/25. Government has committed an extra £5.4bn nationally for the 3 years, which equates to an average of £1.8bn billion per year. The annual allocation is only around 7% of councils' £26.8bn expenditure on social care services in 2019/20. This means that there will be increased reliance on the social care precept and efficiencies as a means of funding the cost pressures within social care. This was confirmed in the Government's published plans to address the social care crisis, where it was indicated that any future cost pressures are set to be dealt with either through Council Tax or long-term cost cutting.
- 3.5 Government still retains the aspiration to introduce a revised system for local government funding in the form of the Fair Funding Review and Business Rates Retention review. It is unlikely that there is enough time this year to fully consult on any reform proposals and therefore no impacts are expected until 2023/24 at the earliest. The financial impacts of reforms currently built into the financial plans have therefore been slipped by one year and reflected in the numbers below, resulting in a **£13.3m** improvement in 2022/23 compared to the assumptions made at budget setting and when the report was last presented in July 2021.
- 3.6 Budget forecasts will be revisited in December 2021 once more details are known about Government funding through the Provisional Local Government Settlement.

Collection Fund- Council Tax and Business Rates

- 3.7 The July 2021 MTFP update report indicated that there were in-year pressures on both Council Tax and Business Rates income post Covid. This trend has continued, with the position on Business Rates deteriorating further.

Business Rates

- 3.8 The in-year forecast has deteriorated by **£9.6m** since Quarter 1. Generally, a surplus or deficit on the Collection Fund impacts on the following year's budget, which in this case will be 2022/23. This is mainly due to forecast increases in costs of Empty Property Relief of £3.9m and other reliefs of £0.6m (including Section 31 funding for those reliefs), Bad Debt Provision of £2.6m and Appeals Provision of £2.5m. This deterioration is partly offset by improvement in growth forecast of £1.8m.
- 3.9 The forecast assumes the use of **£2.6m** of the Business Rates Volatility Contingency Reserve to fund the increase in Appeals Provision that is forecast to be required. This would leave a reserve balance of £18.5m.
- 3.10 The Business Rates forecast is £1.4m worse than previously assumed for 2022/23 but is forecast to improve by £7.3m in 2023/24, rising to a £13.1m improvement in 2025/26. The worsening in 2022/23 is due to latest intelligence indicating that collection rates will be 1% worse than normal in that year. However, from 2022/23, there is a reduction in reliefs expected of £6.8m due to a scheme ending (which also reduces Business Rates Related Grant Income as shown below). The Council is expecting more growth from the Peddimore project than previously assumed and the CPI rate in September 2021 is expected to be 2.5% rather than 2.0% previously assumed increasing the yield from business rates.

Business Rates Related Grants

- 3.11 Section 31 Grants are expected to be £2.9m lower in 2022/23, with similar reductions in future years. This is largely related to the reduction in reliefs to be granted of £6.8m mentioned above, offset by effects of growth forecasts, increases in other reliefs, and inflationary effects.

Council Tax

- 3.12 The in-year forecast has improved by £2.3m since Quarter 1, which impacts on the 2022/23 budget. This is mainly due to improved growth forecast of £0.8m and expected use of £2.0m of the Council Tax Hardship Grant to support increased Council Tax Support costs, thus reducing the Council share of the Collection Fund deficit by £1.9m.
- 3.13 The Council Tax forecast from 2023/24 onwards is in the region of £1.6m better than previously assumed because we are now assuming that normal 0.8% growth will resume from 2022/23. This improvement is partly offset in 2022/23, as we assume that collection rates will continue to be 0.5% worse than normal before recovering from 2023/24.

MTFP updates since July 2021

- 3.14 Medium term financial planning must make assumptions about the future demand profile and cost pressures on expenditure and on factors that affect income sources. These assumptions are reviewed constantly as better information becomes available.
- 3.15 The key movements since the MTFP position reported to Cabinet in July 2021 are shown in the table below. The projections continue to identify a significant budget shortfall across the medium term (**£125.7m**), which reflects the extent to which the costs of current service provision exceed the funding levels.

Table 1: Changes to Medium Term Financial Plan

	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
Financial gap as approved by Cabinet February 2021	(0.078)	76.329	80.521	97.412
July 2021 Updates:				
Pay award assumed to be 1.5%	7.129	7.307	7.490	7.677
Waste service - cost of upgrading old infrastructure and loss of income due to changing market conditions	0.000	0.000	4.500	4.500
Ongoing pressure on Home to School Transport budgets	3.000	3.000	3.000	3.000
Strengthened PMO and CE delivery unit (April Cabinet decision)	1.458	1.458	1.458	1.458
COVID impact	2.505	2.416	2.416	2.416
Reduced expectation from the local tax support	5.369	5.369	0.000	0.000
Business Rates and Council tax forecast deficit (Quarter 1)	14.735	0.000	0.000	0.000
Gap as at July 2021 MTFP update	34.118	95.879	99.385	116.463
Changes since July 2021				
Expenditure:				
Service Pressures and Policy Choices	17.170	5.725	5.303	5.365
Pay & Price Inflation	12.873	7.618	13.663	14.621
1.25% NI increase	3.200	3.200	3.200	3.200
Total Expenditure Movements	33.243	16.543	22.166	23.186
Resources:				
Slippage - local government funding reform	(13.254)	(3.555)	(2.693)	1.765
Business Rates forecast	9.317	(7.296)	(11.046)	(13.148)
Appropriation from Business Rates Appeals Reserve to partially offset in year deficit	(2.572)	0.000	0.000	0.000
Council Tax forecast	(2.378)	(1.860)	(1.622)	(1.668)
Funding from Government for NI increase	(3.200)	(3.200)	(3.200)	(3.200)
Net change in Business Rates related grants	2.851	2.461	2.344	2.341
Total Resources Movements	(9.236)	(13.450)	(16.217)	(13.910)
MTFP Gap as at October 2021	58.125	98.972	105.334	125.739

- 3.16 Service pressures and Policy choices are anticipated to increase by **£17.2m** in 2022/23, before reducing to around £5.4m due to fall out of temporary funding. The key components are:
- **SENAR** – additional one-year funding of **£5.3m** required as a short-term measure in 2022/23. In May 2021, both Ofsted and the CQC undertook a review of Birmingham's progress against the 13 areas of significant weakness identified in the 2018 inspection. The review has highlighted that there is a need for investment from both the Higher Needs Block and General

Fund to address capacity issues within the system. Investment beyond the short term will be subject to a transformation plan for the service.

- **Travel Assist** – Further investment of **£6.8m** in 2022/23 as a short-term measure whilst the service develops a transformation strategy and undertakes detailed activity analysis. This is on top of the £3m ongoing investment reported in the July 2021 MTFP update report. The projected increase in costs arise from the costs of transport, including the new service provider, and the costs of the guides.
- **HR New Operating Model** – In September 2021, Cabinet agreed the business case to invest **£3.5m** into the Council Management Directorate budgets to create a new People Services team within the Human Resources services. The additional funding supports the vision of creating a best in class service, with a new operating model that focuses on business partnering, introduction of specialist reporting and more use of analytics and a distinction between strategic and operational issues. The latest assessment is that there could potentially be slippage in the recruitment process, which would lead to a requirement of around £0.9m less in 2022/23 than the recent Cabinet approval.
- Other service pressures of around £2.4m in 2022/23, falling to £1.9m by 2025/26 - These pressures include £0.4m one – off investment in Homelessness service and £0.2m one- off funding in 2022/23 for Route to zero. Ongoing funding has been provided as: £0.5m for extension of business support to reflect the new organisational structure, £0.5m for the non-delivery of the Transport workstream saving in 2021/22 and associated reserves repayments, and a further £0.3m shortfall in the centralised postage budgets due to increased prices, £0.3m MRP adjustment for 2020/21 slippage in Highways capital spend and other minor service pressures totalling £0.3m.

3.17 The above does not reflect any Children's social care pressures, winter pressures or pressures within the coroner's service; all areas that have been identified as at risk and for which detailed analysis is in progress. At Month 5, children's social care was projecting a £4.8m overspend, and it is quite likely that some of these pressures will be ongoing into future years. A budget sufficiency review is being undertaken by CIPFA for the Education and Skills Directorate, and the outcome of this review will be reflected in the next MTFP update to Cabinet.

3.18 A comprehensive review has also been undertaken of the inflationary assumptions included in the financial plan, including provisions being made for specific contracts. In setting the budget and MTFP in February 2021, it was assumed that income and general price uplift would be 2%, along with a pay freeze in 2021/22, followed by pay awards of 2.5% thereafter. The prevailing economic conditions has shown that it is unlikely that the level of price increases on income could be sustained in such challenging circumstances,

and for that reason the planning assumption is that inflation on income has been reduced to 1% in 2022/23. The General Fund impact of this change is a pressure of around £2.7m by 2025/26 when compared to previous financial projections. In light of the increased pay offer to the unions, it is also prudent at this stage to plan for the additional 0.25%, an increased pay bill of a further £1.1m by 2025/26. It is also anticipated that the cost of Adults packages of care will increase by 0.53% compared to previous assumptions, leading to increased costs of £7.5m across the medium term. The increased costs reflect the current market conditions and the need to ensure the financial viability of the care market. The major industry changes in the energy sector is also driving up the costs of both gas and electricity, to which the General Fund is exposed to the value of approximately £8.2m in 2022/23, with inflationary impacts the years after. Further net changes of £1.6m were modelled across the medium term, details of which are shown in Table 2 below. The revised assumptions mean that total inflationary pressures of £50.1m in 2022/23 rising to £146.9m have been built into the financial plans.

Table 2: Changes in inflation

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Inflation provision - February 2021	30.070	59.355	90.005	124.558
July 2021 MTFP Update - Pay offer of 1.5%	7.129	7.307	7.490	7.677
Changes:				
Packages of care increased from 4.6% to 5.13%	1.591	3.363	5.330	7.505
Income inflation reduced to 1% from 2%	2.533	2.591	2.645	2.701
2021/22 pay offer - Further increase of 0.25% to 1.75%	0.985	1.010	1.035	1.061
Additional energy inflation due to market restructure	8.354	0.331	1.517	1.711
Waste contracts	(0.316)	(0.640)	(0.973)	(1.316)
General Inflation changes- due to budget movements	(0.410)	0.733	3.792	2.561
Other Specific Inflation changes	0.135	0.230	0.317	0.396
Total changes since July report	12.873	7.618	13.663	14.621
Revised Inflation Provision - October 2021	50.072	74.280	111.158	146.856

Route to Zero

- 3.19 The Council is committed to tackling climate change and has made climate change one of its six main priorities. The action plan is conditional on the establishment of a R20 team. The establishment of the Team which will consist of 10 staff headed by the Assistant Director – Route to Net Zero Carbon, becomes a secondary recommendation.

- 3.20 The full-year staffing costs of the team are £0.7m with an additional £0.3m in direct non-staffing costs to be incurred over the first 3 financial years after the team begins work. A 20% on-cost has been included in the total team costings to take account of central support charges the team will attract.
- 3.21 The team will be funded by a variety of sources including existing budgets, the BCC Delivery Plan Capacity Build Fund, external grant funding and a one-off revenue contribution. The one-off revenue contribution has been included in the MTFP forecast above. The profile of the sources of funding will change over the first three financial years but will stabilise from 2024/25 onwards. The external funding has not yet been identified and until this is secured, it represents a risk to delivery of the team's stated outcomes.

Capital Updates

- 3.22 Council's Capital programme was also approved as part of the budget setting process in February 2021 with planned investment of over £1.7bn in the four years to 2024/25.
- 3.23 The capital programme is large and complex and driven particularly by the Council Plan. Covid-19 has impacted the capital programme in 2020/21 resulting in significant slippage of schemes into future years, changes to a number of schemes and additional costs. These changes are continuing to occur as we recover from Covid-19 and the programme will be kept under close review and reported to cabinet as part of the financial monitoring in 2021/22. The quarter 1 report presented to Cabinet in July 2021 forecast capital expenditure in 2021/22 of £745.3m against the revised capital budget of £734m. The net overspend of £11.3m is mainly due to the increased works identified for the HRA Improvement Programme and will be funded by additional contributions from the HRA, hence nil impact on the General Fund and the revenue assumptions in the MTFP. The quarter 2 position is under review and will be reported at Cabinet in November 2021.
- 3.24 The Council has committed to developing a 25-year Capital Programme which will be presented in February 2022 as part of the budget and will continue to invest 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.
- 3.25 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.
- 3.26 The Council will manage its borrowing in accordance with CIPFA's Prudential Code and has a prudent policy for debt repayment set out in its Minimum

Revenue Provision policy. Future council borrowing from the Public Works Loans Board will need to comply with new lending terms that prevent local authorities from using its loans to buy investment assets for yield.

Work done to close the revenue financial gap

- 3.27 Officers have been working on a strategy over the past few months to address the financial gap. This strategy has been focused on identifying opportunities for transformative change within the Council and delivering cashable cost reductions/ additional income generation.
- 3.28 The strategy has focused on three broad workstreams, namely:
- Council: Delivering new ways of working, with a fit for purpose council
 - People: Shifting our focus from crisis to prevention
 - Place: Increasing the pace and scale of growth
- 3.29 Ambitious transformative proposals are being formulated at pace within these workstreams. Significant effort is going into identifying a sufficient amount of options for the Council to address the financial gap and put it on a sustainable financial footing for the medium term.
- 3.30 The resulting proposals will be subject to rigorous assessment and due diligence before being presented to Cabinet in February as part of the Financial Plan 2022 -2026.

Budget engagement

- 3.31 The Council usually consults with residents in the Autumn to solicit views on budget proposals prior to finalisation of the budget in February. As part of our ongoing financial improvement, it is proposed that the Council seeks to engage residents on the distribution of resources to seek to identify their priorities for expenditure.
- 3.32 To encourage greater engagement, it is proposed that this is done via the use of a Budget Tool digital application, like that used by other local authorities such as Newcastle. The Budget Tool will work on a range of devices, from laptops to mobile phones, which will mean that a wider cross-section of the residents may engage. Users of the Budget Tool will be able to prioritise the budget spend by using a sliding scale.
- 3.33 The aims of the engagement will be to:
- understand residents' priorities to feed into budget development
 - increase residents' understanding of the difficult choices that must be made in allocating resources across service areas
 - deepen and broaden democratic participation

- 3.34 The engagement is expected to run from mid-October to the end of December 2021. A communication plan, including the use of traditional and social media, is being devised to promote budget consultation and use of the Budget Tool.
- 3.35 The outcome of the engagement with the public will inform the finalisation of the budget in February 2022.
- 3.36 Statutory consultation with business rates payers will also take place in late January 2022.

Next Steps

- 3.37 Whilst the strategy as set out in this report is viable given latest intelligence, there remains significant uncertainty in respect of public spending levels and the level of funding for local government. Therefore, the strategy 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 are maintained.
- 3.38 The timetable for the remainder of the budget planning process is as follows:

Table 3: Budget Timeline

Activities	Date
Public engagement on resource prioritisation	Mid/late October – December 2021
Spending Review and Budget	27 October 2021
Provisional Local Government Settlement	Mid December 2021 (TBC)
Cabinet consideration of the 2022/23 budget and Financial Plan	8 February 2022
Cabinet – setting of council tax and business rate tax base	18 January 2022
Scrutiny of budget development proposals	21 January 2022
Consultation with business rate payers	Late January 2022
Final Local Government Settlement	January/February 2022 (TBC)
Council approval of budget and setting of Council tax	22 February 2022

4 Options considered and Recommended Proposal

- 4.1 This update is part of the rolling budget process in order to inform on the changing financial position and key risks. Frequent and regular refreshes of the financial assumptions in the Medium Term Financial Plan are undertaken

to take account of the dynamic environment in which local government operates.

5 Consultation

- 5.1 Relevant Members and senior officers, including the Monitoring Officer, have been briefed about the contents of this report.
- 5.2 The Council will undertake public engagement on the prioritisation of Council funding across services as outlined above. The outcome will inform the final budget proposals which will be brought for approval in February 2022.

6 Risk Management

- 6.1 There are risks that continue to influence the MTFP, some of which were set out in the July 2021 update report. An updated assessment of the risks is shown in Appendix 1 of this report. Risks will continue to be monitored and mitigated where possible during the budget development period. A further update to the risk schedule will be included in the Financial Plan for approval in February 2022.
- 6.2 General reserves are held as part of the risk mitigation strategy. The Chief Finance Officer has determined that the appropriate level of balances should be 4.5% of the Council's net General Fund budget. The current level of the General Fund Reserve at £38.4m exceeds the 4.5% level currently calculated at £37.3m. In addition, the Council holds a Financial Resilience Reserve budgeted to be £114.5m at 31 March 2022. The Council is currently projecting an overspend for the current year, which may impact on the level of the Financial Resilience Reserve. The expectation though is that budget will be brought back into balance by March 2022 and therefore such funding would not be required. The reserves position will continue to be monitored through the monthly monitoring processes.

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 Strategy 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 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. The financial gap, across the medium term, has increased from £116m as reported in July 2021 to £126m. Work has begun on identifying robust proposals for closing this gap.

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 Background Documents

- 8.1 Medium Term Financial Plan Update, 27 July 2021
- 8.2 Financial Plan 2021 – 2025, approved by Council on 23 February 2021

Appendix 1 – Budget 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
There is a risk of loss of planned Business Rates and associated income from properties not paying the appropriate level of business rates	The Council has employed a company to identify business rates income not being recorded	18	Company actively identifying companies not recorded on the list and therefore not in current baseline. However pandemic had caused a backlog to accrue at VAO delaying growth to baseline.	40	2%	1
There is a risk of Valuation Office valuation changes to specific categories of buildings reducing BCC's business rates income in year, future years and potentially retrospective.	Mainly such changes are out of the Council's control. Mitigation is around being alert to live national issues and lobbying when relevant. Any significant sector impact you see a strong lobby for government to fund the impact.	18	Risk will always remain in the current system. Anything of significant scale would effect the whole of local government and would be highly likely to require government support. Currently government has delayed any change for the near future.	40	2%	1
Business Rates Appeals being greater than current assumptions of c4%.	Provision has been made for a prudent level of successful appeals based on historic experience Additional provision as a result of COVID into business rates 21/22 base. Additionally earmarked reserve held to mitigate further impact	18	Covid impact on appeals could be underestimated. But reserve there to cover.	17	0%	0

Risk	Mitigation	Existing Reserve/ Provision £m	Residual Risk	Maximum Impact over Medium Term Financial Plan £m	Likelihood	Probability weighted medium term potential impact £m
Economic Downturn – loss of 10% of business rates	Growth assumptions in the budget have been reduced to reflect COVID impact. Additionally £20m earmarked reserve held to mitigate impacts on forecasts	18	There remains considerable uncertainty over the impact of covid on the local economy and resultant business rates taxbase.	164	10%	16
Council Tax growth forecasts are optimistic	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.		The ongoing COVID impact could be understated	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 21/22 budget included an reduction in collection from 97.1% to 96.6%, 0.5% reduction		There remains uncertainty around collection through 2021/22 and 2022/23.	8	20%	2
Council Tax Support caseload could be underestimated	The service revised the esimated of the caseload upwards for 21/22 budget. Plus with the announcement of further hardship moneies in 21/22 this provides further cover. Current position is we are likely to have £2m residual hardship fund to cover this risk.		Nil	0	0%	0

Risk	Mitigation	Existing Reserve/ Provision £m	Residual Risk	Maximum Impact over Medium Term Financial Plan £m	Likelihood	Probability weighted medium term potential impact £m
Outcome of the Government Spending Review and Relevant Needs and Resources Review	The outcome of each may not be in line with the current financial planning assumptions of neutral in real terms. There is potential for both improvements and reductions in resource forecasts.		Risk for has been pushed out beyond 22/23 based on government announcements during 2021	51	2%	1
Inflation increases at a greater rate than planned.	Generally provided for 2% inflation increase within the budget			10	10%	1
	Pay award agreed is higher than budgeted for.					
	Contracts that run at a higher rate than the general assumption have been provided for separately in MTFP					
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 remains a risk that COVID/Brexit provide a more significant impact than our prudent forecast however this is receding as the year progresses	16	2%	0

Risk	Mitigation	Existing Reserve/ Provision £m	Residual Risk	Maximum Impact over Medium Term Financial Plan £m	Likelihood	Probability weighted medium term potential impact £m
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 are reviewed to ensure they are not primarily for yield. The Financial Plan 2021-2025 set out clearly a policy of not investing primarily for yield.		Nil	0		0
There is a risk that invested treasury monies are unable to be returned eg Icelandic Banks/BCCI	Adoption of up to date treasury management practices, regular monitoring and advice from external advisors		Very low risk	40	2%	1
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.		These decisions could be agreed	9	20%	2
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. There is bigger target to achieve for disposals in 2021/22.		Disposals may still be not achieved either at all or when expected	28	40%	11

Risk	Mitigation	Existing Reserve/ Provision £m	Residual Risk	Maximum Impact over Medium Term Financial Plan £m	Likelihood	Probability weighted medium term potential impact £m
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 low likelihood.	10	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 and any that were deemed not to be deliverable have been written out.			15	20%	3
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 impact of Covid on the service is still unknown.	80	10%	8

Risk	Mitigation	Existing Reserve/ Provision £m	Residual Risk	Maximum Impact over Medium Term Financial Plan £m	Likelihood	Probability weighted medium term potential impact £m
There is a risk of demand pressures in Children's Social Care causing an overspend in the contract payments to BCT	Annual demography is built into the budget plus additional baseline budget sufficiency sum reflected in 21/22 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,	24	20%	5
There is a risk of service failure leading to increased investment to turn around and ongoing pressure on the MTFP	Existing financial and performance monitoring processes should highlight concerns. Delivery Plan reserve provides one-off transformation resources if required. Regular updating of MTFP forecasts allows any resulting budget pressures to be highlighted.	60	There will always remain a risk of service failure as the recent SEND service experience demonstrates.	66	10%	7
There is a risk based on recent history of Neighbourhoods not spending within its annual budget	£17m was added to the directorate baseline in 20/21. Additional budget has been added in 2021/22 following a budget sufficiency review. Monthly budget monitoring would identify any overpend and mitigation would be expected.		Given its history of overspending there remains a residual risk in this particular directorate.	40	20%	8

Risk	Mitigation	Existing Reserve/ Provision £m	Residual Risk	Maximum Impact over Medium Term Financial Plan £m	Likelihood	Probability weighted medium term potential impact £m
There is a risk of Inclusive Growth not delivering its income levels budgeted for	The MTFP Refresh and Financial Plan write out a number of unachievable savings targets. 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 Clean Air Zone income and external Route to Zero funding does not fund the level of expenditure planned.	Regular monitoring of income and exploring opportunities for new external funding.		This is a new initiative and external funding and income levels are difficult to predict at this point in time.	8	10%	1
There is a risk that the Highways PFI alternative arrangement will cost significantly more than the current budget provision	The service are intending to reprocure 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.			20	25%	5

Risk	Mitigation	Existing Reserve/ Provision £m	Residual Risk	Maximum Impact over Medium Term Financial Plan £m	Likelihood	Probability weighted medium term potential impact £m
Impact of COVID 19 - potential additional cost implications	Weekly cost forecasting, government funding surplus carried forward to 21/22 with 5th tranche of grant built into 21/22 budget. Where allowable costs are charged against specific grant funding	17.5	Costs exceed the remaining funding and fall on the councils overall budget.	10	10%	1
Impact of Brexit – potential loss of grant income	There remains uncertainty over the governments replacement of European Grant funding .			9	40%	4
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
There is a risk that BCC will have to loan BIA up to £5.7m in January 2022 at the earliest and that this needs to be fully impaired	Ongoing monitoring of the financial position of BIA		At present this remains a risk however the likelihood is low.	6	2%	0
Commonwealth Games:	Planned total spend of £40m within the revenue budget (2018/19 & 2022/23)			11	40%	4

Risk	Mitigation	Existing Reserve/ Provision £m	Residual Risk	Maximum Impact over Medium Term Financial Plan £m	Likelihood	Probability weighted medium term potential impact £m
· costs increasing	Discussions with Government to cap the Council's contribution at the level of the Bid.					
· partner contributions not being received	Ongoing discussions with partners.					
Major Contract disputes	Ensure contracts are operated in accordance with the agreed Terms and Conditions. Earmarked reserves in place to mitigate impacts.			0	Very Low	0
Successful Equal Pay disputes	Provision has been set aside for outstanding Equal Pay claims.	270		0	Very Low	0
	Proactive management of claims and widespread awareness of Equal Pay issues taken into account in decision making					
	Account for costs when payments made rather than when claim lodged so unlikely to be any further costs in 2020/21.					

Total Risk	123
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Risk	Mitigation	Existing Reserve/ Provision	Residual Risk	Maximum Impact over Medium Term Financial Plan	Likelihood	Probability weighted medium term potential impact
		£m		£m		£m
					70% deflator to reflect not all risks will happen at same time	36.9
					General Fund Reserve	38.4
					Financial Resilience Reserve balance at 31 March 2022	114.5