

Risk Assessment of General Fund Working Balances

| Risk | Risk Description | Risk Quantification Narrative | Insurable | Potential Impact (£) | Existing Provision (£) | Balance Required for 2021/22 (£) |
|---|--|---|-----------|----------------------|------------------------|----------------------------------|
| Government Funding | Uncertainty of local government funding for the foreseeable future | The provisional settlement set by the Ministry of Housing, Communities and Local Government for 2021 will be for one year. Other local government funding reviews such as the Fair Funding Review and the review of New Homes Bonus scheme have been put on hold and it is currently unclear when these reviews are to be carried out. To address the risk of this uncertainty, we have put in place a 10% reduction in the Settlement Funding Assessment for the council which would result in the council losing approx. £290k per annum. | N | 290,000 | - | 290,000 |
| Business Rates Retention Reform | The current Business Rates scheme calculated "baseline" funding based on average business rates income from 2010/11 and 2011/12. | Current proposals are unknown at present but key risks are: Baseline reset - could see additional growth achieved since 2010/11 and 2011/12 being lost (£750,000) Reforms to the levy rates mean extraordinary growth capped (Zero impact) As a district council the split in income is currently 50:40:9:1 (Central Government: District: County: Fire and Rescue). Whilst the technical papers published through the year have proposed 75% of income is retained locally (i.e. a positive benefit), the tier split between county councils and district councils will also be likely to shift, and subsequent impact on tariff payments. (Zero impact). We are waiting for information on this which is due in spring 2022 | N | 750,000 | | 750,000 |
| Business Rates Retention | Volatility in business rates income. | Business Rates Income for 2021/22 is anticipated to be £3.5m, from £24.2m net rates payable. A 1% fall in net rates payable will result in the council losing approx. £103,000 (Excluding the impact of Section 31 Grants) | N | 103,000 | - | 103,000 |
| Business Rates Appeals | Volatility in business rates appeal levels and decisions. | From 1 April 2017, Check Challenge Appeal was introduced for business rates revaluations. £790,000 provision has been assumed, based on current reporting and historical RV losses on appeals. If we assume a provision of 2.1p for every £ of RV, or 4.7% of net rateable value (whichever is the greater), the provision could increase by up to £1.3m; which is an additional £510,000. 40% for Gravesham (£204,000). The Appeals provision is based on VOA reporting. However there has been a substantial increase in "Check, Challenge Appeals" during 2020/21. Businesses have up to 14 months to lodge a check due to "material change in circumstances" as businesses continue to be impacted by enforced closures due to the pandemic. Further information on the business support (such as reliefs schemes) will be announced in due course by the Chancellor as part of the budget in March 2021. However a 25% estimated reduction in business rates for retail outlets, offices would have an estimated additional impact of £900K | N | 900,000 | 532,990 | 367,010 |
| Business Rates Retention - loss of major ratespayer | Just over a 1/3 of business rates in the borough comes from twenty businesses. | On average, £1.7m RV could be lost if a single "Top Ten" business ceased trading or relocated outside the borough. This would adversely affect business rates income by £357,000. | N | 357,000 | 340,000 | 17,000 |
| Council Tax | Collection rates or growth in tax base are lower than anticipated. | Council Tax Income for 2021/22 is anticipated to be £7.3m. A 1% fall in total council tax collected will result in the council losing approx. £73,000. | N | 73,000 | - | 73,000 |
| Fees and charges (all sources) | Income levels from fees and charges lower than anticipated. | Fees and Charges Income from all sources for 2021/22 is anticipated to be £6.1m. Whilst consideration has been given in the budget proposals to the ongoing impact on fees and charges as the economy starts to recover in 2021-22 from the COVID-19 pandemic, a further 2% fall in the income projected will result in the council losing approx. £132,000. | N | 122,000 | - | 122,000 |
| Investment income | Anticipated level of returns on traditional investments not achieved. | Investment Income for 2021/22 is anticipated to be £0.772m. A 0.10% reduction in investment return performance rates would result in the council losing approx. £77,200. | N | 77,200 | - | 77,200 |
| Expected Credit Loss | Increased risk of default of loan repayments by external organisations | Anticipated loan to Elizabeth Huggins Cottages Housing Association Charity of £2m. If 20% risk of default in year 1 and loss of 100% takes place then loss allowance of £400,000 would be required | N | 400,000 | | 400,000 |
| Counterparty failure | Party may fail to pay invested amounts back to the Council, impacting on revenue returns. | TMSS permits up to £8m (or 20% or overall balances) with any counterparty at time of investment. | N | 8,000,000 | 500,000 | 7,500,000 |
| Rental Property | Anticipated level of returns not achieved. | Commercial Rent Income for 2020/21 is anticipated to be £4.5m. A 5% fall in the income projected will result in the council losing approx. £225,000. | Y/N | 225,000 | | 225,000 |
| Pay awards/NICs/Pensions Contributions | Increases higher than anticipated. | Staff Related expenditure for 2021/22 is anticipated to be £16.7m. A 1% increase in employers costs would result in these costs increasing by approx. £167,000 | N | 167,000 | - | 167,000 |
| Inflationary Effects | Inflationary pressures are higher than anticipated. | A 1% increase in inflation would result in running expenses increasing by approx. £130,000. | N | 130,000 | - | 130,000 |
| Service Spending | Spending plans underestimated or ongoing revenue implications of capital projects not adequately captured. | A 1% increase in service spending would result in running expenses increasing by approx. £132,000. | N | 132,000 | - | 132,000 |

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| Financial impact of increased demand for homelessness support and COVID | Requirements of the Homelessness Reduction Act place an extended duty of care on households presenting to the council as homeless. There may be increased homelessness due to COVID-19 Pandemic | Impact of additional costs of temporary accommodation outside of existing stock above that already estimated, OR full costs not recovered through HB or applicant. | N | 150,000 | - | 150,000 |
| Non-achievement of vacancy savings target | Vacancy target of £350,000 not achieved, | Vacancy target of £350,000 not achieved, | N | 350,000 | - | 350,000 |
| Maintenance of Assets | Deficiencies in assets requiring immediate attention. Future requirements to invest in council assets. | Estimate of £50,000 to respond to issue. | Y/N | 50,000 | - | 50,000 |
| Legal Proceedings | Unanticipated legal proceedings brought against the council. | Legal proceeding may be derived from decisions related to planning matters, contractual disputes or service delivery issues. | Y/N | 400,000 | - | 400,000 |
| Organisational Capacity | Resources available to the council are not sufficient to deliver council service obligations. | Estimate of £50,000 to respond to issue. | N | 50,000 | - | 50,000 |
| Environmental Disaster/Major Incident | Unanticipated incident or natural disaster (flood, fire etc.) requiring council response or impinging on ability to deliver services. | Council is expected to fund expenditure up to 0.2% of annual budget requirement. Estimated budget requirement for 2021/22 is £6,420,640 | Y/N | 128,413 | - | 128,413 |
| Cyber Attack | An attack on council IT systems that disrupts or prevents service delivery. | The attack on Copeland Borough Council in August 2017 is estimated to have cost the council £2m. | Y/N | 2,000,000 | - | 2,000,000 |
| Changing government policy/legislative change (especially due to COVID-19 Pandemic & EU Exit considerations) | Changes to council responsibilities/new responsibilities. Pressures on budgets driven by increased demand due to policy decisions. | Estimate of £75,000 to respond to issue. | N | 75,000 | - | 75,000 |

13,556,623

Risk Probability Factor

40%

Provision Required

5,422,649