

Key Budgetary Risks

| No. | Type of Consequence | Comment | Likelihood | Impact | Overall Score |
|-----|---|---|------------|--------|---------------|
| 1 | The Medium term financial position worsens. | In that the general fund balance falls below the minimum prudent threshold and capital funding is insufficient to meet the capital programme. This appears as item no.8 in the Council's strategic risk register. Recovery from COVID-19 and the current economic climate of rising inflation and rising interest rates continue to put pressure on the finances. However, action is being taken through the budget setting process to ensure a balanced budget for 2023/24 and across the medium term. | 3 | 2 | 6 |
| 2 | Revenue balances insufficient to meet estimate pay award increases | The medium term planning period takes into account the pay increases for the period - The Council's 3 year Medium term Financial Strategy includes forecast pay awards for the next three years. The pay award of £1,925 per employee has been agreed for 2022/23 and is factored into the forecast. | 3 | 3 | 9 |
| 3 | Revenue balances insufficient to meet other inflationary increases | Other than contractual agreements, budgets have been cash limited where possible. | 3 | 3 | 9 |
| 4 | Interest rates resulting in significant variations in estimated interest income | The interest rate has a significant impact on the proceeds from capital receipts that are invested in the money market. The volatility of the global economy following the EU referendum continues to place uncertainty on the investment strategy. | 3 | 2 | 6 |
| 5 | Inaccurate estimates of fees and charges income | See Key Income Streams are shown in the latest Financial Monitoring Report. There is an ongoing impact of COVID-19 on some income streams, including offstreet parking and leisure that will place a burden on the Councils Revenue account through loss of income . | 3 | 3 | 9 |
| 6 | Revenue balances insufficient to meet loss of partial exemption for VAT | If the council's expenditure on functions for which it receives income that is exempt for VAT purposes exceeds 5% of its total vat able expenditure, then the Council may lose its ability to recover VAT on all of its exempt inputs. | 1 | 4 | 4 |
| 7 | Major emergency | Major Emergency requires funds beyond Bellwin scheme and causes serious drain on balances. | 3 | 3 | 9 |
| 8 | The estimated cost reductions and additional income gains are not achieved | Savings identified are monitored as part of the monthly budget monitoring process. There is a risk that some of these may not materialise as resources are diverted away to fund unexpected costs. | 3 | 2 | 6 |
| 9 | The income received from Commercial rents decreases | The rental income received from the Councils property portfolio is a significant proportion of the total income the Council receives. | 4 | 3 | 12 |
| 10 | The amount of government grant is adversely affected | The provisional local government settlement containing details of grant funding from central government has been factored into the MTFS. The fair funding review on hold at the current time. | 2 | 3 | 6 |
| 11 | Fluctuations in Business Rates Retention | The Council is legally obliged to cover the first 7.5% loss on its pre determined baseline level. The Council is currently in a safety net position. The system was due to be subject to reset and increase to 75% retention. This has been postponed until 2025/26 at the earliest. | 2 | 2 | 4 |

1= VERY LOW RISK 4 = VERY HIGH RISK

| | Likelihood | Impact | Overall Score |
|----------------|------------|--------|---------------|
| very low risk | 1 | 1 | 1 |
| low risk | 2 | 2 | 4 |
| high risk | 3 | 3 | 9 |
| very high risk | 4 | 4 | 16 |