

APPENDIX B - FINANCE NET 'HIGH' RISK

Ref:	Risk Title and Description:	
5	Financial Strategy <i>Failure to deliver a sustainable Financial Strategy which meets with Making Bromley Even Better priorities and failure of individual departments to meet budget</i>	
Division:	Risk Category:	Risk Owner:
Finance	Finance / Financial	Director of Finance
Risk Cause and Effect:		
<p>Cause(s):</p> <ol style="list-style-type: none"> 1. The 2024/25 Draft Budget report to Executive identified the need to reduce the Council's 'budget gap' of £38.7m per annum by 2027/28. The Council received a one-year financial settlement for 2024/25, which creates uncertainty on funding levels for the medium term. 2. The fundamental review of local government funding through the Fair Funding Review and Business Rate review is now expected to be delayed until at least 2026/27 which adds to financial uncertainty in considering the impact on the financial forecast for 2025/26 to 2027/28. Apart from cost/growth pressures relating to SEN, social care and homelessness, the significant cost increases relating to inflation continue for some time. These factors can have a significant impact on the future years' 'budget gap' identified above. More background is included in the Draft 2024/25 Budget and Update on the Council's Financial Strategy 2025/26 to 2027/28 report to Executive on 17th January 2024 and 2024/25 Council Tax report of February 2024. 3. Failure to meet departmental budgets due to increased demand on key services resulting in overspends: Housing (homelessness and cost of bed and breakfast); Adult Social Care (demographic changes including ageing population); Children's Social Care, Education (central costs, high needs transport and DSG deficit), Waste (growing number of households), Dedicated Schools Grant deficit increases and limited delivery of planned mitigation savings. 4. New capital schemes may be required with the associated revenue impact (including financing) adding to the Council's 'budget gap' to meet. 5. Dependency on external grants to fund services (schools and housing benefits are ring-fenced) - effect if grant reduces (Public Health services) or ceases. 6. Increases in national living wage will have cost implications to the Council over the next few years (e.g. care providers and carers). 7. Local government may be required to take on new funding responsibilities in the future without adequate funding. 8. Ongoing risk of inflation exceeding Bank of England inflation target levels. 9. Failure to identify and highlight frauds and weaknesses in the system of internal control (which invariably have a financial impact). Overall, identified fraud losses are mainly benefit related (Council Tax Support / Single Person Discount). <p>Effect(s):</p> <ol style="list-style-type: none"> 1. Increased overspends in particular services 2. Council unable to carry out its statutory duties due to services cuts 3. Reputational damage 		

Gross Risk Rating:		
Likelihood	Impact	Risk Rating
5	5	25
Existing Controls in Place to Mitigate the Risk		
<p>Strategic Controls:</p> <ol style="list-style-type: none"> 1. Regular update to forward forecast 2. Regular analysis of funding changes and new burdens including full year impact 3. Early identification of future savings required 4. Transformation options considered early in the four year forward planning period 5. Budget monitoring to include action from relevant Director to address overspends including action to address any full year additional cost 6. Mitigation of future cost pressures including demographic changes 7. Quarterly review of growth pressures and mitigation 8. Continue to progress with opportunities for the Transformation Reviews towards meeting future years' budget gap. <p>Operational Controls:</p> <ol style="list-style-type: none"> 1. Management of Risks document covering inflation, capping, financial projections etc. attached to budget reports 2. Departmental risk analysis 3. Reporting of financial forecast updates in year to provide an update of financial impact and action required 4. Obtain monthly trend / current data to assist in any early action required 5. Obtain regular updates / market intelligence 6. Reporting full year effect of budget variations 7. Analysis of government plans and changes 		
Current Risk Rating:		
Likelihood	Impact	Risk Rating
4	5	20
Further Action Required:		
<p>The Council continues to explore transformation opportunities to help meet the budget gap.</p>		
Commentary from Risk Owner:		
<p>Local Government faces the challenge of the impact of inflation, service and cost pressures continuing to reflect demographic changes and new burdens whilst income from council tax and government funding is not expected to be able to keep pace with inflation and other cost pressures. There is an increase in reported Section 114 notices and capitalisation directions which is a sign of deteriorating financial position facing local authorities. Although these were initially caused by poor governance and financial management, more are expected as due to the ongoing funding challenges, whilst needing to maintain statutory services. This Council has a statutory duty to have a balanced budget and the funding challenge is also faced by this Council as reported to Executive and Council as part of the annual budget process.</p> <p>The transformation programme and options to generate income will continue but the scale of cost pressures including housing, adult and children's social care and special</p>		

educational needs (and possibly higher inflation in the future) creates a deteriorating financial position in the medium to longer term.

Bromley is 'better placed' than many authorities but the significant financial challenges remain. The awaited Government review of local government finance continues to be deferred and is not expected until at least 2026/27.

On that basis, the significant financial sustainability risk is likely to remain in the medium to longer term without a fundamental review of local government finance.

Work will continue to deliver a balanced budget but the ongoing financial sustainability challenge remains.