Risk Assessment of Each Line of the Forecast **APPENDIX J**

Relevant line of the Forecast	RAG Assessment of Risk	Comments
Underlying Funding Growth in the Budget		
Council Tax Increase 1.99%	Green	Although this always remains subject to future Government policy, it is expected that an allowable inflationary uplift will always be a feature in the Local Government finance settlement and associated Council Tax referendum principles.
Ctax increase by £5 (amounts set out are over and above the 1.99% above)	Amber	Although similar to the above, there is less certainty around the level of increase that the Government may allow over and above a 'base' inflationary uplift. However it is expected that such increases will be allowable in the short to medium term without invoking the need to hold a referendum. This will remain subject to on-going review.
Growth in Business rates - Inflation	Amber	Similar to Council Tax above, based on the historic trend of inflationary uplifts in the poundage applied to rateable values, modest inflationary increases are relatively certain over the life of the forecast. Although there may be one-off 'freezes' such as the one implemented by the Government in 2021/22 in response to the impact of COVID 19, it is likely that the Government would respond via changes to the NDR S31 grants or spending power calculations to support Council's in such circumstances.
Growth in Business rates / council tax - general property growth	Red	Underlying growth in business rates and Council Tax are expected to remain relatively stable and robust in the long term. However the medium term impact of COVID 19 remains unclear at the present time. The other two main risks relate to major economic changes and future Government Policy, especially in relation to business rates where the Government remains active in developing a 75% retention model or reviewing alternative mechanisms based on a fair funding assessment. Potential changes could see the Government introduce business rate 'resets' which could see income from economic growth being reduced on a cyclical basis as part of a redistribution method nationally.

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Relevant line of the Forecast	**RAG Assessment of Risk**	**Comments**
Collection Fund Surpluses b/fwd		Although only relatively modest amounts have been included in the forecast, the short to medium term impact of COVID 19 remains unclear. (The forecast excludes any benefit from being a member of the Essex Business Rates Pool as it is accounted for on an actual basis rather than building it into the base budget given its one-off nature and complexities in the overall business rate calculations)
Net Cost of Services and Other Adjustments		
Reduction in RSG		Given the delays to the Government's fair funding review, RSG was again receivable in 2021/22. However no RSG has been assumed within the forecast for later years at the present time. The impact from this years comprehensive spending review is also unknown at the present time which may not directly impact on this line of the forecast but it may have implications elsewhere.
Remove one-off items from prior year		These are known adjustments
Remove one-off items from prior year - Collection Fund Surplus		These are known adjustments based on the assumptions set out above concerning the year on year change in the collection fund position
Inflation - Employee Costs (including annual review adjustments)		Given current inflationary pressures this line of the forecast is increasing in terms of risk. The position remains under on-going review with additional information likely to emerge over the current budget cycle to better inform the forecast.

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Relevant line of the Forecast	RAG Assessment of Risk	Comments
Inflation - Other		Although the Government's long term CPI inflation target remains at 2%, the short to medium term impact from COVID 19 remains unclear at the present time. However based on current Government forecasts, CPI has been included in the forecast at 3% in 2022/23, 2.4% in 2023/24 before returning to the target rate of 2% from 2024/25. (Where relevant, RPI rates are included at 1% above these CPI amounts)
First / Second / Third year impact of PFH WP Savings		These are known adjustments which will be delivered in total but is recognised that the timing may differ to that originally anticipated which will be reflected in the forecast. The item included in 2021/22 and 2022/23 relate to the annual revenue savings expected from the disposal of Weeley Council Offices.
LCTS Grant To Parish Council's		This will be subject to the level of RSG receivable from the Government, as to date the change in the level of grant funding provided to Town and Parish Councils has mirrored the changes in RSG.
Specific change in Use of Reserves		Changes in the use of reserves primarily reflect other changes elsewhere in the budget/ forecast so are not a significant risk in isolation.
On-going savings required		This line of the budget fundamentally acts as the 'safety valve' for other changes elsewhere in the forecast and would need to be increased if adverse issues were experienced or estimates were not in line with predictions. Although the long term forecast provides flexibility in the timing of the delivery of such savings, it is important that on-going savings continue to be secured to meet the amounts set out in the forecast. From 2022/23, a zero based approach to the budget is proposed to provide the framework against which savings can be delivered.

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Relevant line of the Forecast	RAG Assessment of Risk	Comments
Unmitigated Cost Pressures		It is recognised that this line of the forecast presents one of the highest risks, especially given the amount of unavoidable cost pressures included to date and with a fair degree of uncertainty remaining going into 2022/23 as the economy continues its recovery from the impact of COVID 19. On-going revenue items remain the most difficult items to respond to. Although one-off items, such as those associated with repairing / refurbishing assets could also have a significant impact on the forecast, one-off funding has been made available elsewhere in the budget to support these costs which therefore contributes to the mitigation of this risk. One of the most significant risks within this line of the budget relates to external income, especially from elsewhere in the public sector where similar financial pressures are being experienced. Such items include the funding from the major preceptors in respect of the Council Tax Sharing Agreement, which totals over £0.600m each year. This has been reflected in the forecast based on ECC's current commitment, but it may need to be increased based on potential changes in the future. To support the management of risks, the Council continues to resist using one-off money, such as the New Homes Bonus, to support the on-going base budget. The cost pressure allowance remains at £0.250m per year, given the level of cost pressures identified in prior years and to respond to potential future items.