

Risk Register: Financial Strategy 2012/13

APPENDIX

No.	Risk Category	RISK <i>Threat to achievement of business objective</i>	Scope/potential consequences of risk	Assessment of Risk (likelihood x impact) <i>Assume No Controls in Place</i>			Risk Control Measures in Place	Are all Controls Operational? Y / N / Partial	Potential Financial Risk £	Assessment of Residual Risk (likelihood x impact) With Control Measures		
				Likelihood	Impact	Risk Score				Likelihood	Impact	Risk Score
1		Welfare Reform Bill	£8m-12m decrease in income to Borders residents - greater demand for services, risks associated with 10% reduction in funding for the alternative to council tax benefit.	5	3	15	Restructure service provision. Existing debt collection processes	Y	600,000 (based on 10% loss of £6m C Tax benefit and Admin fee.)	5	3	15
2		Global economic downturn - negative growth	Less funding from Government to Council, greater demand for services, less money in local economy	4	3	12	Business and medium term Revenue Financial Plans (as opposed to current 1 year revenue plan)	Partial	2,600,000 (based on 1% of net revenue budget)	4	3	12
3		Reduction in Government funding to Local Authorities	Less funding from Government, reduction in ability to provide services, take on of other agencies' responsibilities	3	3	9	Business and medium term Revenue Financial Plans (as opposed to current 1 year revenue plan)	Partial	part of figure above	3	3	9
4		Inability to increase local funding because of Council Tax freeze	Adverse effect on ability to raise income and therefore provide services	2	3	6	Business and medium term Revenue Financial Plans	Partial	Compensation in Settlement	2	3	6
5		Continually depressed housing market	Assumption re Developer Contributions prove too optimistic. Funding shortfall for railway, PPP schools etc	4	3	12	Budget adjustment to take account of potential shortfall, diverting resources from other priorities	Y	TBA	4	2	8

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6		Weather - adverse winter conditions	Strain on Winter Maintenance budget. Additional revenue and capital costs	4	4	16	Bellwin Scheme, but only at significantly high levels and within certain criteria. Reserve of £565k earmarked and extra budget identified for Roads. Community Resilience Scheme	Y	1,000,000 (general estimate)	4	3	12
7		Weather - severe floods	Additional revenue and capital costs	3	4	12	Bellwin Scheme, but only at significantly high levels and within certain criteria. Capital provision for Selkirk and Gala with proposal for major SG funding	Y	part of figure above	3	3	9
8		Inability to achieve projected savings from Business Transformation e.g.E&I restructure	Increased costs due to budget not being met, reduced service provision as a consequence	4	3	12	Tracking through monitoring process. Need to develop Benefits Realisation model	Partial	250,000 (general estimate)	3	3	9
9		Future demographics - Social Work. Ageing population, more children with complex needs	Additional revenue and capital costs	5	3	15	Business and medium term Revenue Financial Plans aligned to demographic pressures. Capital Plan.	Partial	Currently covered in budget	5	2	10
10		Future demographics - Education. Increase in projected pupil roll numbers	Additional revenue and capital costs	5	3	15	Business and medium term Revenue Financial Plans aligned to demographic pressures. Capital Plan.	Partial	part of figure above	5	2	10
11		Loss of corporate financial systems providers	Unsupported system(s), no opportunity for development	3	2	6	Ability to continue unsupported, networks of other Councils in same position	Y	0	3	2	6

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12		Major contractors / providers of completed schemes going out of business (e.g. PPP scheme)	No service provider for duration of contract	2	2	4	Alternative provider sought, provide service in-house	Y	0	2	2	4
13		Major contractors / providers of essential services going out of business	Immediate pressure on revenue budgets / reserves	3	3	9	In some cases monthly contract monitoring and ongoing liaison. More due diligence required during and before contract periods	Partial	100,000 (short term fix)	3	3	9
14		Pension Fund - increase in employer contributions	Increased costs to the Council through increased employer contributions and impact on service budgets	4	4	16	Triennial Valuation with options to deal with projected funding deficit through recovery period and / or medium term Revenue Financial Plan	Y	0 (based on BW report Dec 11)	3	3	9
15		Pension Fund - Admitted Bodies unable / unwilling to fund past service deficit	Call on Council indemnity for past service costs	3	2	6	Quantifiable risk with options for dealing with financial consequences	Y	700,000	3	2	6
16		Changes in regulations re Contracting Out of NI contributions	Rate increase from 7.2% to 10.9% with cost to Council of £3m in future financial year	3	3	9	Quantifiable risk with options for dealing with financial consequences through medium term Revenue Financial Plan	Y	1,000,000 (33% likelihood)	3	3	9
17		Counterparty risk	Funds deposited in banks are lost	3	3	9	Disciplined maintenance of counterparty list, spread deposits where practicable. Strategy & Policy in place, daily information from Sector	Y	0	3	2	6

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18		Increase in scale of bad debts owed to the Council (AR, Council Tax, NDR)	Further pressure on revenue budgets as greater amounts need to be written off	4	3	12	Bad Debt provision in place, proved adequate for C/Tax and NDR historically	Y	250,000 (based on AR risk)	3	3	9
19		On-lending to RSLs / via NHT	Risk of failure of provider putting loan at risk	2	3	6	Security over loans, due diligence on RSLs, regular liaison	Y	200,000 (20% risk on £1m)	2	2	4
20		Change to taxation base e.g. NDR income lies with collecting Authority and not part of national pool	Reduced level of NDR income for Council with subsequent pressure on revenue budgets	2	2	4	3 year spending review, medium term Revenue Financial Plan	Partial	Not yet quantified	1	2	2
21		Failure of budgetary control processes (increased likelihood as budgets are stretched)	Unexpected overspends in revenue and / or capital budgets	4	3	12	Monitoring processes, both internal and reporting to Members	Y	1,300,000 (0.5% overspend risk on £260m)	3	2	6
22		Major Contractual claim	Litigation from contractor following failure of Council to enact obligations under a strategic contract eg PPP works compensation event	4	3	12	Monitoring processes, both internal and reporting to Members	Y	220,000 (25% likelihood)	3	3	9

8,220,000