

Risk Register: Financial Strategy 2013/14 -2017/18

APPENDIX 1

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	Economy and Funding	Welfare Reform Act	£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. Subsidy reduction and impact of localised council tax included in the 2013/14 revenue budget. Other risks not quantified at this stage.	5	3	15	Restructure service provision. Existing debt collection processes. Welfare reform board now established. Business Impact analysis ongoing	Y	Estimate 600,000 (based on 10% loss of £6m C Tax Income)	5	3	15
2	Economy and Funding	Global economic downturn - negative growth	Less funding from Government to Council, greater demand for services, less money in local economy. Current impact on planning fees and Licensing	4	3	12	Medium term Revenue Financial Plan developed covering a 5 year period with early identification of future work programmes beyond 2013/14	Partial	1,200,000 (based on 1% of net revenue budget)	4	3	12
3	Economy and Funding	Reduction in Government funding to Local Authorities in real terms	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	Economy and Funding	Inability to increase local funding because of Council Tax freeze	Adverse effect on ability to raise income and therefore provide services	5	3	15	Business and medium term Revenue Financial Plans	Partial	part of figure above	2	3	6
5	Economy and Funding	Continually depressed housing market	Assumption re Developer Contributions prove too optimistic. Funding shortfall for railway, PPP schools etc. Risk of Challenge to existing policy with knock on impact on funding available for essential	4	3	12	Budget adjustment to take account of potential shortfall, diverting resources from other priorities in revenue and capital plans	Y	TBA	4	2	8

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6	Environment	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 to provide contingency for Roads in 2013/14. Community Resilience Scheme	Y	1,000,000 (general estimate)	4	3	12
7	Environment	Weather - severe floods	Additional revenue and capital costs	3	4	12	Bellwin Scheme, applies at £550,000 threshold and within certain criteria. Capital provision for Selkirk and Gala with proposal for major Scottish Govt funding 80%.	Y	550,000	3	3	9
8	Budget Control	Inability to achieve projected savings from Business Transformation e.g. restructure	Increased risks due to budget not being met, may result in future reduced service provision as a consequence	4	3	12	Tracking through monitoring process. Need to develop Benefits Realisation model	Partial	1,000,000 (general estimate)	3	3	9
9	Budget Control	Future demographics - Social Work. Ageing population, more children with complex needs	Additional revenue and capital costs. 10 year CIP based upon current levels of housing development and the knock on effect on population.	5	3	15	Business and medium term Revenue Financial Plans aligned to demographic pressures. Capital Plan.	Y	Projected Estimates Currently covered in financial plan	5	2	10
10	Budget Control	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.	Y	Projected Estimates Currently covered in financial plan	5	2	10

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11	IT	Loss of corporate financial systems providers	Unsupported system(s), no opportunity for development. Failure to financial and accounting controls	3	2	6	Ability to continue unsupported, in the short term. GL health check completed and an Officer Systems board established to prioritise recommendations for system development	Y	0	3	2	6
12	Supplier failure	Major contractors / providers of completed schemes going out of business during construction phase (e.g. Waste PPP scheme)	Council has step in rights however significant financial impact	2	2	4	Alternative provider sought, provide service in-house	Y	500,000	2	2	4
13	Supplier failure	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	Local Government Pension Scheme - 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. Proposed change to LGPS to contain costs based on CARE scheme. Next valuation due 31 March 2014. Financial plan assumes 0.25% increase in employers contributions in years 3 and 5.	Y	0 (based on BW report Dec 11)	3	3	9
15	Pension Fund	Pension Fund Including Admitted Bodies. Change in level of participation in the pension fund leading to a risk re past service cost.	Call on Council indemnity for past service costs	3	2	6	Ongoing monitoring and engagement with admitted bodies and appointed actuary	Y	700,000	3	2	6

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16	Economy and Funding	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	Economy and Funding	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. Annual revisions made to the strategy to reflect changes in economic situation. Compliance with credit worthiness policy monitored on an ongoing basis and robust scrutiny at point of investment. Low levels of current deposits.	Y	0	3	2	6
18	Economy and Funding	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. More robust policy framework now in place.	Y	250,000 (based on AR risk)	3	2	6
19	Economy and Funding	Default on RSL loan facility	Risk of failure of loan repayment	2	3	6	Security over loans, due diligence on RSLs, regular liaison and margin applied to interest rate to create risk provision	Y	130,000	2	2	4
20	Economy and Funding	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

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21	Budget Control	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 for revenue and capital. Risk analysis re delivery of savings approved in financial plan. Monthly reporting to CMT and quarterly reporting to Executive.	Y	1,500,000 (0.5% overspend risk on £260m)	3	2	6
22	Economy and Funding	Contractual legal claims/ penalties levied against council claim	Litigation from contractor following failure of Council to enact obligations under a strategic contract e.g. PPP works compensation event	4	3	12	Monitoring processes, both internal and reporting to Members	Y	200,000 general est. based on ltd historic claims	3	2	6
23	Pension Fund	Auto Enrol enrolment in pension Fund	Increase in the cost of employees superannuation for previously opted out employees. Risk level reflects 50% based on current staffing opt out level.	5	3	15	Transitional arrangement to be consulted upon and brought forward to committee.	Partial	550,000	5	2	10
24	Economy and Funding	Municipal Mutual Insurance	Council is a scheme creditor of failed insurance firm. Solvent run off of the company no longer anticipated	4	3	12	Contained monitoring of the situation - no risk mitigation possible. Provision required.	N	388,000	4	3	12

9,668,000

	£	£
Projected General Fund balance as at 31 March 2013 prior to Police and Fire adjustment		7,229,000
less approved commitments prior to 7/2/13		
Municipal Mutual Insurance - creditor	-400000	
Drawdown approved for winter maintenance	-565000	
		<u>-965,000</u>
less draw down of funding for early retiral per revenue plan capital match funding	-200000	
	-450000	
		<u>-650,000</u>
Remaining unallocated balance		5,614,000

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		% Risks per risk register cover red by unallocated balances							58%			