

Risk Register: Financial Strategy 2016/17- 2020/21

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	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	Estimate of reducing resources over the 5 year period built into financial plan.	Y	1,400,000 based on difference between 2% cut assumption and 2016/17 actual reduction	3	3	9
2	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	Assumption that council tax or equivalent will increase from 2017/18 Council tax product reassessed as part of budget process.	Y	0	2	3	6
3	Economy and Funding	Continuation of 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 infrastructure projects.	4	3	12	Budget adjustment to take account of potential shortfall, diverting resources from other priorities in revenue and capital plans. Reassessment of likely developer contributions undertaken as part of review of CIP funding.	Y	0	4	2	8
4	Environment	Weather - adverse winter conditions	Strain on Winter Maintenance budget. Additional revenue and capital costs	4	4	16	Bellwin Scheme available , but only at significantly high levels and within certain criteria. Not available to cover higher costs of adverse winter weather. Reserve of £650k earmarked to provide contingency for Winter in 2016/17. Development of Community Resilience Scheme progressing but unlikely to make significant impact on costs.	Y	1,000,000 (unfunded residual estimate of Adverse Winter beyond average conditions)	4	3	12
5	Environment	Weather - severe floods	Additional revenue and capital costs	3	4	12	Bellwin Scheme, applies at £509,000 threshold and within certain criteria. Capital provision for Selkirk Jedburgh and Gala flood works to be delivered though Capital Investment Plan. 80% Funding 80% assumed by Hawick. NB government currently reviewing the national arrangements for flood funding.	Y	508,000	3	3	9

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6	Budget Control	Inability to achieve projected savings	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. Monitoring indicates around 75% - 80% of savings are being delivered in line with plan each year. £11.5m savings assumed in 2016/17. 50% likelihood plan.	Partial	1,150,000	3	3	9
7	Budget Control	Future demographics - Social Work. Ageing population,	Additional revenue and capital costs. Assumption this will be funded by transfer from Integrated Joint Board	5	3	15	Business and medium term Revenue Financial Plans aligned to demographic pressures. Funding has been made available within the Capital Plan.	Y	344,000	4	2	8
8	Budget Control	Future Demographics Vulnerable Children	Risk of significant overspend due to demand pressures and the need to accommodate looked after children in expensive residential settings including secure units	5	4	20	Costs not fully reflected in revenue budget.	Partial		3	3	9
9	Projects	Development of Major Capital projects requiring Govt Support E.g. Flooding	Potential requirement to write off to revenue costs incurred developing capital schemes should Government support not be forthcoming. Further risk of need for project acceleration in response to current flood events	3	4	12	Inherent risks associated with development of large complex capital schemes e.g. Hawick Flood. Robust project management. Dialogue and ensuring necessary statutory approvals are achieved mitigates risks.	Y	1,000,000	3	3	9
10	IT	Increased cost of service provision unfunded by revenue budgets	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.	Partial	2,000,000	3	2	6
11	Supplier failure	Major contractors / providers of essential services going out of business e.g. Transport provider	Immediate pressure on revenue budgets / reserves. Increased evidence of routes being handed back following retendering	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

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12	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. Planned change to LGPS in 2015 to contain costs based on CARE scheme. Next Fund valuation due as at 31 March 2017. Positive results from 2014 valuation maintained contributions at 18% with 101% funding level.	Y	0	3	3	9
13	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. Impact of auto enrolment being monitored along with financial impact of changes to the composition of scheme membership.	Y	700,000	3	2	6
14	Economy and Funding	Counterparty risk	Funds deposited in banks are lost	3	3	9	Disciplined maintenance of counterparty list, spread deposits where practicable. Treasury strategy and policy in place and regularly reviewed. Daily Information from Capita Asset Services. Annual revisions made to strategy to reflect changes in the economic situation. Compliance with credit control worthiness policy monitored on an ongoing basis and robust scrutiny at point of investment.		0			
15	Economy and Funding	Increase in scale of bad debts owed to the Council (AR, Council Tax, NDR)	Potential pressure on revenue budgets as greater amounts need to be written off. Debt recovery arrangements indicate	4	3	12	Bad Debt provision in place, proved adequate for C/Tax and NDR historically. More robust policy framework now	Y	125,000	3	2	6
16	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	Estimate Covered in Finance plan	1	2	2

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17	Budget Control	General Contingency including - Failure of budgetary control processes (increased likelihood as budgets are stretched). Savings required by the 5 Year financial plan not delivered or delayed	Unexpected overspends in revenue and / or capital budgets	4	3	12	Monitoring processes, both for revenue and capital. Monitoring now includes tracking of delivery of required efficiencies. Risk analysis re delivery of savings approved in financial plan. Monthly reporting to CMT and quarterly reporting to Executive. Challenges facing the Council associated with constraints on public sector funding are increasing.	Y	2,500,000 (1% overspend risk on £250m)	3	3	9
18	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
19	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. Contractual claim resulting from legal disputes	4	3	12	Monitoring processes, both internal and reporting to Members. Corporate Approach to project delivery and Business Transformation. Council's legal position will be robustly defend via Court Process if necessary.	Y	100,000 general est. based on current risks.	4	3	12
20	Economy and funding	Compliance failure with HMRC requirements	Penalty and Interest due to failure of business processes	4	3	12	Review of Business processes to ensure they remain fit for purpose		50,000	4	3	12
Projected General Fund balance as at 31 March 2016								5,638,000				
Risks Per risk register								11,527,000				
% of Risks per risk register covered by unallocated balances								49%				