

Risk Register: Financial Strategy 2015/16 - 2019/20

APPENDIX 1

No.	Risk Category	RISK Threat to achievement of business objective	Scope/potential consequences of risk	Assessment of Risk (likelihood x impact) Assume No Controls in Place			Risk Control Measures in Place	Are all Controls Operational?	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 established. Business Impact mitigation ongoing through deployment of DHP funding from Scottish Govt and DHP. Commitment to fund Bedroom Tax from Scottish Govt	Y	Estimate 400,000 (based on 7% loss of £6m C Tax Income)	3	2	6
2	Economy and Funding	Global economic downturn - negative growth	Less funding from Government to Council, greater demand for services, less money in local economy. Ongoing impact on planning fees and Licensing.	4	3	12	Medium term Revenue Financial Plan developed covering a 5 year period. Estimate of reducing resources over the 5 year period built into financial plan	Partial	1,200,000 (based on 0.5% of net revenue budget)	3	3	9
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	Estimate of reducing resources over the 5 year period built into financial plan	Y	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	Budget assumes council tax freeze will continue over the 5 year period. Council tax product reassessed as part of budget process	Y	part of figure above	2	3	6
5	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	part of figure above	4	2	8
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. Not available to cover higher costs of adverse winter weather. Reserve of £650k earmarked to provide contingency for Winter in 2014/15. Development of Community Resilience Scheme progressing.	Y	1,000,000 (unfunded residual estimate of Adverse Winter beyond average conditions)	4	3	12

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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 Jedburgh and Gala flood works to be delivered through CIP. Funding of 80% assumed by Hawick. NB govt currently reviewing the national arrangements for flood funding.	Y	£ 550,000	3	3	9
8	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	<i>Tracking through monitoring process. Monitoring indicates around 75% of savings are being delivered in line with plan. Risks re savings assumed re Education.</i>	Partial	2,500,000 Potential Risk to 5 year plan following Review of Savings deliverability	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	4	2	8
10	Budget Control	Future demographics - Education. Variation 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	4	2	8
11	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. Contingency of £650k held in allocated reserves	Partial	700,000	3	3	9
12	Budget Control	Development Major Capital projects requiring Govt Support E.g. Flooding	Potential Requirement to Write costs incurred developing capital Schemes off to Revenue should Govt Support not be forthcoming.	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	Risks Currently associated with Hawick flood, and future School Projects e.g. Langlee and Gala	3	3	9

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13	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
14	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 could be sought. Council could provide service in-house. Council has step in rights to major contracts e.g. Waste. Current NES contract moratorium in place.	Y	500,000	2	2	4
15	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
16	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 2014 underway. Initial results from with Barnet Waddingham the Fund Actuary indicate deficit identified from 2011 valuation now addressed.	Y	0	3	3	9
17	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

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18	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
19	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 this risks is being managed with significant improvement in recent years over debt management and recovery	4	3	12	Bad Debt provision in place, proved adequate for C/Tax and NDR historically. More robust policy framework now in place. Current level of bad debt provision acceptable	Y	125,000 Review of bad debt ongoing to assess adequacy of current budget provision	3	2	6
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	Estimate Covered in Finance plan	1	2	2
21	Budget Control	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	1,500,000 (0.6% overspend risk on £250m)	3	3	9

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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. 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	400,000 general est. based on current risks.	4	3	12
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 made in allocated balances	N	0	4	3	12
25	HR	Staff Terms and Conditions including any variation to assumed pay award of 1% in 2015/16 and 1.5% thereafter.	Unbudgetted increase in the costs of the pay bill following unforeseen pay adjustments	5	3	15	Costs based on last 5 years average. Measures in place to control costs wherever possible.	Partial	770,000	5	2	10

10,295,000

	£	£
Projected General Fund balance as at 31 March 2015		6,756,000
% of Risks per risk register covered by unallocated balances		66%