

## APPENDIX A - Financial Risk Register 2016/17

Ref. No.	Risk	Consequences	Controls & Contingencies	Residual Risk		Estimated value of reserve needed £m	
				Impact - Annual Cost £m	Likelihood		
<b>Inflation</b>							
1	Pay	Pay awards are 1.0% higher than assumed in the budget.	leading to increased costs	There is a 1.0% provision in 2016/17 budgets for pay awards.	1.4	1	0.140
2	Price Increases	Inflation for general price increases is 1.0% more than allowed in budget.	leading to increased costs	There is a 0.0% provision in 2016/17 budgets for price increases.	3.9	3	2.925
3	Income	Increase is 1.0% less than provided for in budget.	leading to reduced income	There is a 0.0% provision in 2016/17 for income increases.	1.2	2	0.420
4	Interest rates	Longer term interest rates are 1% higher than assumed in the budget.	leading to increased costs on long term borrowing	The budget assumes longer term rates at 5.0% for 2016/17	0.6	1	0.065
<b>Other Budget Assumptions</b>							
5	Demand-led Services	Demand for social care, waste disposal, home to school transport, property repairs and maintenance, highways winter maintenance, fire and rescue, coroners increase in total cost terms by (say) £10m more than budget.	leading to increased costs	Budget prepared on latest projections but, for example, a bad winter could lead to significant additional winter road maintenance or social care.	10.0	2	3.500
6	Estimated savings	Target savings not achieved fully in 2015/16.	leading to increased costs	Achieving fully the high level of savings required within the year will be very challenging. The Council's 2016/17 budget includes an estimated savings target of £42.0m. Monthly budget monitoring arrangements should highlight any potential budget pressures to allow corrective actions to be taken.	42.0	2	14.700
7	Income budgets	Income from charges is 10% less than estimated.	leading to reduced income	Budgets are set on past experience and future expectations.	5.4	2	1.890
8	Localisation of Support for Council Tax Schemes	Local council tax support schemes were introduced by all council tax billing authorities (i.e. Districts Council's) from April 2013. It is at the discretion of the billing authorities to set the schemes. Funding received is 2% less than assumed in the budget.	leading to reduced income	Budget will be based on notification from District Council in January 2016.	4.8	1	0.480

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9	Local Government Funding - Business Rates Retention Scheme	The business rates retention scheme was launched from April 2013 as part of the changes to the local government funding regime. Under this new regime part of the business rates collected locally remain in Lincolnshire. The level of funding will reduce if a major business leaves the county. Funding received is 2% less than assumed in the budget.	leading to reduced income	Budget will be based on notification from District Council in January 2016.	0.4	1	0.040
10	Costs of change	A provision has been made within the Council's budget for redundancy costs. Other costs transformation are included within service budgets. Provision for redundancy costs and service transformation is insufficient by say £5m.	leading to increased costs	The current budget savings required for the 2016/17 budget may lead to costs associated with redundancies and service transformation. If costs are in excess of the current budget the additional costs could be funded from the Council's Contingency Budget, Financial Volatility Reserve or from the use of Capital Receipts, which from 2016/17 can be used to fund the cost of service transformation.	5.0	3	3.750
11	Capital Programme	The programme exceeds by (say) £5m the funding available, leading to use of additional revenue funding.	leading to increased costs	It is normal for the Capital Programme to be underspent, not overspent. An overspend would be funded by taking additional borrowing.	5.0	1	0.500
12	Capital Receipts	Capital Receipts are less than target by (say) £1m.	revenue funds needed to fund capital programme	Targets for 2016/17 reflect estimated receipts. A shortfall in capital receipts in any particular year can be replaced by borrowing.	1.0	2	0.350

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<b>Financial Management Arrangements</b>							
13	Current financial management arrangements	Overspend of 2% in Budget Requirement.	leading to increased costs	There are clear, written financial management procedures, regular staff training, good financial systems including monitoring information, and regular reporting to budget-holders, directorate management teams and the Executive. There have not been substantial overspendings in recent years other than on demand led services, however, as savings targets increase overspending may be more likely to occur.	8.5	3	6.375
14	Schools Expenditure	Overspend of 1% in Schools budget expenditure.	leading to increased costs	Schools expenditure covered by Dedicated Schools Grant. The County Council could be required to provide financial support if there were a major problem.	4.8	1	0.480
<b>Potential Losses</b>							
15	General Claims against the Council	Claims total £5m more than provided for in budget.	leading to increased costs	Extent of loss is limited by insurance arrangements. There is also an Insurance Reserve, the balance of this stood at £6.221m at 31 March 2015.	5.0	2	1.750
16	Bad Debts	Write-off of debts of 1%	leading to reduced income	The Council has an excellent record of income collection with a very low level of debt write-offs.	0.8	1	0.080
17	Treasury management	Default on loans from the Council	Reduction in the Council's cash balances	Authorised lending list restricted to lowest risk institutions with individual limits. The Council's lending policy is low risk.	25.0	1	2.500
18	Major emergencies or disasters	Such an event with a cost of (say) £5m	leading to increased costs	The government provides financial support under the Bellwin scheme for major emergencies or disasters. However, there is no automatic entitlement to financial assistance and where it is given it will not normally cover all the costs incurred.	5.0	1	0.500
						<b>40.445</b>	

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<b>Provisions Against Financial Risk</b>						
P1	Contingency Provision	The contingency provision may offset some of the increased costs noted above e.g. price increases above that allowed in budgets.	Budgets include a contingency provision of £4.0m p.a.	-4.0	4	-4.000
P2	Financial Volatility Reserve	At the end of 2011/12 the Council established a financial volatility reserve to help the Council deal with the future uncertainties around local government funding.	At the end of 2015/16 it is estimated that the balance in the reserve stood will stand at £41.632m it is currently budgeted that we will use £38.335m from the reserve to balance the 2016/17 budget.	-3.3	4	-3.300
P3	Capital Receipts used to fund revenue transformation	The draft financial settlement from government proposed that Local Authorities could use income generated from capital receipts to fund the cost of service transformation. If additional costs are incurred in revenue capital receipts could be diverted from the Capital Programme to fund these costs.	The Council is currently budgeting to use £3.1m of capital receipts to fund the capital programme in 2016/17, these could be diverted into the revenue budget to fund transformation costs in revenue.	-3.1	3	-2.325
P4	Revenue Funding of Capital	Borrowing in place of revenue funding would allow approximately £0.5m, net of debt charges, to be made available for revenue spending.	This would require the Council to alter its policy on capital funding.	-0.5	3	-0.375
P5	Business Rates Pooling	The Council will continue to pool business rates with six of the Lincolnshire District Council's. Due to significant volatility in this income in previous years no income has been budgeted for. However, the Council could benefit from up to £1.238m additional income.	Any income generate could be used to offset financial risks or reduce the need to use earmarked reserves to balance the 2016/17 budget.	-1.2	2	-0.420
						<b>-10.420</b>
<b>Net Total</b>						<b>30.025</b>

**Key To Likelihood Scores:**

1	Very unlikely	10% of impact
2	Possible but unlikely	35%
3	Possible for example in view of current higher levels of risk	75%
4	Very probable or certain	100%