

## APPENDIX A - Financial Risk Register 2019/20

Ref. No.	Risk		Consequences	Controls & Contingencies	Residual Risk			Estimated value of reserve needed £m
					Impact - Annual Cost £m	Likelihood		
Inflation								
1	Pay	Pay awards are 1.0% higher than assumed in the budget.	leading to increased costs	There is a 2.0% provision in 2019/20 budgets for pay awards. The Council has also made a budget provision for the National Pay Spine negotiations.	3.1	2	35%	1.085
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 2019/20 budgets for price increases.	4.4	3	75%	3.300
3	Income	Increase is 1.0% less than provided for in budget.	leading to reduced income	There is a 0.0% provision in 2019/20 for income increases.	1.8	2	35%	0.630
4	Interest rates	Longer term interest rates are 1.0% higher than assumed in the budget.	leading to increased costs on long term borrowing	The budget assumes longer term rates ranging from 1.9% to 3.4%, depending on the length of the loan, for 2019/20.	1.0	2	35%	0.350
Other Budget Assumptions								
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	35%	3.500
6	Estimated savings	Target savings not achieved fully in 2019/20.	leading to increased costs	Achieving fully the high level of savings required within the year will be very challenging. The Council's 2019/20 budget includes an estimated savings target of £22.4m. Monthly budget monitoring arrangements should highlight any potential budget pressures to allow corrective actions to be taken.	22.4	2	35%	7.838
7	Income budgets	Income from charges is 10% less than estimated.	leading to reduced income	Budgets are set on past experience and future expectations.	7.7	2	35%	2.695
8	Costs of change	A provision has been made within the Council's budget for redundancy costs. The Council also plans to use £8m of Capital Receipts Flexibly to fund transformation in 2019/20. Other transformation costs are included within service budgets. Provision for service transformation is insufficient by say £2m.	leading to increased costs	The current budget savings required for the 2019/20 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.	2.0	3	75%	1.500

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9	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	10%	0.500
<b>Financial Management Arrangements</b>								
10	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.	8.6	2	35%	3.010
11	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.	4.1	1	10%	0.410
<b>Potential Losses</b>								
12	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 £4.487m at 31 March 2018.	5.0	2	35%	1.750
13	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.	1.0	1	10%	0.100
14	Treasury management	Default on loans from the Council	Reduction in the Council's cash balances	Authorised lending for Treasury Investments list restricted to lowest risk institutions with individual limits. The Council's lending policy is low risk.	25.0	1	10%	2.500
15	Loans to Other Bodies for Service Purposes	Default on loans from the Council	Reduction in the Council's cash balances	The Council has made loans to other bodies for service purposes and these carry a higher risk of default than Treasury loans, particularly given IFRS9 implications.	3.5	2	35%	1.225

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16	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	10%	0.500
								30.893
Provisions Against Financial Risk								
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 £3.0m p.a.	-3.0	4	100%	-3.000
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 2018/19 it is estimated that the balance in the FVR will stand at £47m. It is currently estimated that we will need around £28m from the reserve to balance the 2019/20 budget which means that there will be approximately £19m left to fund these risks. In addition there may be an underspend in the current year which could be applied to the FVR at the year end.	-19.0	3	75%	-14.250
								-17.250
Net Total								13.643

### 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%

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