

## APPENDIX B - Financial Risk Register 2017/18 - Outcomes

Ref. No.	Risk	Consequences	Controls & Contingencies	Residual Risk		Estimated value of reserve needed £m	Comments	
				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 1.0% provision in 2017/18 budgets for pay awards.	1.5	1	0.150	A pay award of 1% was made for 2017/18.
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 2017/18 budgets for price increases.	3.9	3	2.925	Inflation for 2017/18 saw a slight fall from 2.9% (CPI) in May 2017 to 2.4% (CPI) in May 2018, this was above the budgeted rate of 0%. This will have been managed by budget holders within individual budget areas.
3	Income	Increase is 1.0% less than provided for in budget.	leading to reduced income	There is a 0.0% provision in 2017/18 for income increases.	1.2	2	0.420	The Council's budget for 2017/18 included other income (from fees and charges) of £64.159m, actual income received was in excess of this budget at £77.517m.
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 at 4.0% for 2017/18	1.2	1	0.120	The actual cost of long term borrowing for 2017/18 was 4.088%, which was only marginally higher than the budget assumption.
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	3.500	The Council overall service budgets underspent by £6.599m.
6	Estimated savings	Target savings not achieved fully in 2017/18.	leading to increased costs	Achieving fully the high level of savings required within the year will be very challenging. The Council's 2017/18 budget includes an estimated savings target of £33.5m. Monthly budget monitoring arrangements should highlight any potential budget pressures to allow corrective actions to be taken.	33.5	2	11.720	Overall service budgets underspent in 2017/18 by £6.599m. In 2018/19 savings are being closely monitored to ensure these are delivered.
7	Income budgets	Income from charges is 10% less than estimated.	leading to reduced income	Budgets are set on past experience and future expectations.	6.2	2	2.170	See point 3 above.

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8	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 £2m.	leading to increased costs	The current budget savings required for the 2017/18 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	1.500	Funding set aside for Corporate and Service Redundancy in 2017/18 was underspent by £1.778m.

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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	0.500	The net capital programme for 2017/18 was reduced by £12.296m during the year due to rephasing into future years. At year end the revised capital programme was underspent by £26.751m.
<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.	8.0	2	2.800	Overall service revenue spending, excluding schools, was underspent by £6.599m or 1.7%.
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.	4.7	1	0.470	Schools budgets were underspent by £17.058m or (2.3%) of the schools budget.
<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 £6.395m at 31 March 2016.	5.0	2	1.750	The Council's insurance budget shows a surplus of £0.230m. The insurance fund is designed to enable the Council to 'self-insure' its insurable risks over the long term. The operating surplus will be transferred to the the Council's Insurance earmarked reserve to use in future years. This will give a balance of £4.717m to carry forward into 2018/19.
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.	1.1	1	0.110	The Council wrote off £925,813.95 or 0.009% of debt raised in 2017/18.

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14	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	No problems were experienced with loans made by the Council in 2017/18.
15	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	No major emergencies were experienced in 2017/18.
							31.135	
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	-3.000	The contingency budget for 2017/18 was set at £3.000m. During the year £0.35m of this was utilised.	
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 2016/17 it is estimated that the balance in the reserve will stand at £45.600m it is currently budgeted that the Council will use £30.600m from the reserve to balance the 2017/18 budget. This will leave £15.000m in the reserve.	-15.0	4	-15.000	The Council used £17.870m from the Financial Volatility Reserve to balance the budget in 2017/18. As at 31 March 2018 the Council had set aside £5.076m to balance the 2018/19 budget and £27.264m available for future uncertainties in 2019/20 and beyond.	
P3	Revenue Funding of Capital	Borrowing in place of revenue funding would allow approximately £0.6m, net of debt charges, to be made available for revenue spending.	This would require the Council to alter its policy on capital funding.	-0.6	3	-0.450	The Council took no external borrowing in 2017/18	
P4	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 £1.253m additional income.	Any income generate could be used to offset financial risks or reduce the need to use earmarked reserves to balance the 2017/18 budget.	-1.2	2	-0.420	Business Rates Pooling 2017/18 of £1.323m. This income from business rates pooling was not budgeted for and is an increase from the £1.085m received in 2016/17;	
							-18.870	
Net Total							12.265	

### 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%