

## APPENDIX A - Financial Risk Register 2018/19

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 2018/19 budgets for pay awards with the exception of Fire Fighters where there is a 3% provision. The Council has also made a budget provision for the National Pay Spine negotiations.	1.8	2	0.630
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 2018/19 budgets for price increases.	3.6	3	2.700
3	Income	Increase is 1.0% less than provided for in budget.	leading to reduced income	There is a 0.0% provision in 2018/19 for income increases.	1.0	2	0.350
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 2018/19.	0.8	1	0.080
<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 2018/19.	leading to increased costs	Achieving fully the high level of savings required within the year will be very challenging. The Council's 2018/19 budget includes an estimated savings target of £30.8m. Monthly budget monitoring arrangements should highlight any potential budget pressures to allow corrective actions to be taken.	30.8	2	10.795
7	Income budgets	Income from charges is 10% less than estimated.	leading to reduced income	Budgets are set on past experience and future expectations.	6.8	2	2.380

Ref. No.	Risk		Consequences	Controls & Contingencies	Residual Risk		Estimated value of reserve needed £m
					Impact - Annual Cost £m	Likelihood	
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 2018/19. Other costs transformation 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 2018/19 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
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
<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.	8.2	2	2.870
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.	4.8	1	0.480

Ref. No.	Risk	Consequences	Controls & Contingencies	Residual Risk		Estimated value of reserve needed £m	
				Impact - Annual Cost £m	Likelihood		
<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 2017.	5.0	2	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.	0.9	1	0.090
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
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
							<b>30.625</b>

Ref. No.	Risk	Consequences	Controls & Contingencies	Residual Risk		Estimated value of reserve needed £m
				Impact - Annual Cost £m	Likelihood	
<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 £3.0m p.a.	-3.0	4	-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 2017/18 it is estimated that the balance in the reserve will stand at £43.339m it is currently estimated that we will use £18.464m from the reserve to balance the 2018/19 budget and £19.861m in 2019/20. This will leave £5.014m in the reserve. The £5.014m could be used to address any items arising in 2018/19, the £19.861m currently planned for use in 2019/20 could be utilised in 2018/19, but further savings would need to be identified in 2019/20.	-5.0	4	-5.000
				-19.9	2	-6.965
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
						<b>-15.415</b>
<b>Net Total</b>						<b>15.210</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%

## APPENDIX B - Financial Risk Register 2016/17 - Outcomes

Ref. No.	Risk	Consequences	Controls & Contingencies	Residual Risk		Estimated value of reserve needed £m	Comments	
				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	A pay award of 1% was made for 2016/17.
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	Inflation for 2016/17 saw a rise of 2.9% (CPI), 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 2016/17 for income increases.	1.2	2	0.420	The Council's budget for 2016/17 included other income (from fees and charges) of £55.392m, actual income received was in excess of this budget at £69.407m.
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	The actual cost of long term borrowing for 2016/17 was 4.068%, which was below the assumed rate of 5.0%. The cost of borrowing was less than anticipated.
<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	The Council overall service budgets underspent by £7.006m.
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	Overall service budgets underspent in 2016/17 by £7.006m. In 2017/18 savings are being closely monitored to ensure these are delivered.

Ref. No.	Risk		Consequences	Controls & Contingencies	Residual Risk		Estimated value of reserve needed £m	Comments
					Impact - Annual Cost £m	Likelihood		
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	See point 3 above.
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	Council Tax income received in 2016/17 was as budgeted for. In addition to this the seven Lincolnshire District Council's declared a total surplus on the Council Tax element of their collection funds in January 2017 of £3.156m. This was built into the Council's 2017/18 budget.
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	Income from business rates was £1.2m higher than originally budgeted for. The majority of this has arisen from the pooling arrangement with six of the seven Lincolnshire District's (£1.1m). This income was not budgeted for due to the uncertainty around it's receipt. However the seven Lincolnshire District Council's declared a total deficit on the Business Rates element of their collection funds in January 2017 of £0.967m. This was built into the Council's 2017/18 budget.
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	Funding set aside for Corporate and Service Redundancy in 2016/17 was underspent by £2.805m. In 2016/17 the majority of service savings have not been generated by restructuring and reducing staffing numbers. This change is reflected in a reduction in the Council redundancy budget in 2017/18 from £4.5m to £2.0m.

Ref. No.	Risk		Consequences	Controls & Contingencies	Residual Risk		Estimated value of reserve needed £m	Comments
					Impact - Annual Cost £m	Likelihood		
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	The net capital programme for 2016/17 was reduced by £28.441m during the year due to rephasing into future years. At year end the revised capital programme was underspent by £37.990m.
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	For the 3 year period 2016/17 to 2018/19 the Flexible Use of Capital Receipts Strategy is in place. Capital Receipts for 2016/17 were £0.9m less than budgeted for, the £3.601m was fully utilised in the financial year to fund revenue transformation projects. None of the capital receipts were applied to fund the capital programme.
<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	Overall service revenue spending, excluding schools, was underspent by £7.006m or 1.7%.
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	4.8	1	0.480	Schools budgets were underspent by £12.683m or 5.1% of the schools budget.
<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	The Council's insurance budget shows a deficit of £0.408m. The insurance fund is designed to enable the Council to 'self-insure' its insurable risks over the long term. The operating deficit this year has arisen mainly due to the increase in claim payments during the year. The deficit will be covered by the Council's Insurance Reserve. The balance in the reserve before meeting these costs was £4.895m

Ref. No.	Risk		Consequences	Controls & Contingencies	Residual Risk		Estimated value of reserve needed £m
					Impact - Annual Cost £m	Likelihood	
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>

Comments
The Council wrote off £75,756 or 0.08% of debt raised in 2016/17.
No problems were experienced with loans made by the Council in 2016/17.
No major emergencies were experienced in 2016/17.



Ref. No.	Risk	Consequences	Controls & Contingencies	Residual Risk		Estimated value of reserve needed £m	Comments
				Impact - Annual Cost £m	Likelihood		
<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	The contingency budget for 2016/17 was set at £4.000m. During the year £2.1m 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 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	The Council used £20.165m from the Financial Volatility Reserve to balance the budget in 2016/17. As at 31 March 2017 the Council had set aside £17.870m to balance the 2017/18 budget and £32.399m available for future uncertainties in 2018/19 and beyond.
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	The Council planned to use £4.598m of flexible capital receipts in 2016/17. However, the Council generated £0.997m less receipts than expected due to the challenges faced in consent being obtained for the disposal of former playing field and school land. Nevertheless, it is still anticipated that the Council will meet its plan of £20.000m capital receipts covering the three year period, 2016/17 to 2018/19.
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	The Council took £12m of external borrowing during 2016/17 to finance the Capital Programme. The Council continued in 2016/17 to use a mixed approach of using internal balances and external borrowing to finance the Capital Programme.
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	Business Rates Pooling - £1.085m (more than was budgeted for). This income from business rates pooling was not budgeted for and is a significant increase from the £0.104m received in 2015/16.
						<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%

This page is intentionally left blank