

APPENDIX A - Financial Risk Register 2020/21

Risk	Consequences	Controls & Contingencies	Residual Risk			Estimated value of reserve needed £m	
			Impact - Annual Cost £m	Likelihood			
Pay	Pay awards are 1.0% higher than assumed in the budget.	leading to increased costs	Our budget modelling* for future proposals includes a 2.0% increase in 2020/21 budgets for pay awards. It also includes a value for the National Pay Spine negotiations.	3.3	2	35%	1.155
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 2020/21 budget model* proposals for price increases.	4.4	3	75%	3.300
Income	Increase is 1.0% less than provided for in budget.	leading to reduced income	There is some provision in our budget model* for 2020/21 for certain income increases e.g. Adult Social Care. In other areas there is no provision for increases.	1.8	3	75%	1.350
Interest rates	Longer term interest rates are 1.0% higher than assumed in the budget.	leading to increased costs on long term borrowing	Our budget modeling* assumes longer term rates of 2.525% for 2020/21.	1.2	2	35%	0.420
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) £15m more than budget.	leading to increased costs	Our approved budget is prepared on latest projections but, for example, a bad winter could lead to significant additional winter road maintenance or social care.	15.0	3	75%	11.250
Fair Funding Review and Business Rates Retention Reforms are less advantageous than anticipated from April 21	The Fair Funding Review and Business Rates Retention reforms were due to be implemented from April 20 and have been pushed back to April 21 amid great political uncertainty. Assumptions about increased funding may not be realistic. One-off social care funding of £5.7m has been repeated for 20/21 but may then cease.	leading to less government funding	Our budget modelling* assumptions about increases have been fairly cautious.	8.3	3	75%	6.229
Estimated savings	Target savings not achieved fully in 2020/21.	leading to increased costs	Achieving fully the high level of savings required within the year will be very challenging. Based on our initial work, the Council's 2020/21 budget is likely to include an estimated savings target of £16.3m. Monthly budget monitoring arrangements should highlight any potential budget pressures to allow corrective actions to be taken. Savings are likely to be low impact.	16.3	2	35%	5.720
Income budgets	Income from charges is 10% less than estimated.	leading to reduced income	Budgets will be set on past experience and future expectations.	16.2	2	35%	5.670
Costs of change	A provision has been made within the Council's budget for redundancy costs. The Council will no longer use Capital Receipts flexibly to fund transformation in 2020/21. Some transformation costs are included within service budgets, and earmarked reserves can be used to fund transformation. However the full cost of transformation is not yet known. Provision for service transformation is insufficient by say £2m.	leading to increased costs	Our initial work on budget savings required for the 2020/21 budget suggests it is unlikely to lead to significant redundancies, however service transformation is expected to happen in some areas. 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 other earmarked reserves.	2.0	3	75%	1.500
Capital Programme	The programme exceeds by (say) £10m 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.	10.0	1	10%	1.000

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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 budgets are tightened overspending may be more likely to occur.	9.7	3	75%	7.268
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.	4.3	1	10%	0.430
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 £5.237m at 31 March 2019.	5.0	3	75%	3.750
Bad Debts	Write-off of debts of 1%	leading to reduced income	The Council has a good record of income collection with a low level of debt write-offs.	1.3	1	10%	0.130
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
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.	2.4	2	35%	0.840
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
							53.011
Contingency Provision	The contingency provision may offset some of the increased costs noted above e.g. price increases above that allowed in budgets.		Historically our budget includes a contingency provision of £3.0m p.a.	-3.0	4	100%	-3.000
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 2019/20 it is estimated that the balance in the FVR will stand at £55m. It is currently estimated that we will need around £7m from the reserve to balance future years' budgets which means that there will be approximately £48m 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.	-48.0	3	75%	-36.000
							-39.000
							14.011

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%

* our budget modelling calculations, which will support the Executive in recommending a budget to Council.