

APPENDIX B - Financial Risk Register 2018/19 - Outcomes

Risk	Consequences	Controls & Contingencies	Residual Risk			Estimated value of reserve needed £m	Review Comments	
			Impact - Annual Cost £m	Likelihood				
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	35%	0.630	A pay award of 1% was made for 2018/19 with the exception of 3% pay award for fire fighters .
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	75%	2.700	Inflation for 2018/19 saw a slight fall from 2.4% (CPI) in May 2018 to 2.0% (CPI) in May 2019, this was above the budgeted rate of 0%. This will have been managed by budget holders within individual budget areas.
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	35%	0.350	The Council's budget for 2018/19 included other income from fees and charges, actual income received was in line with this budget
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	10%	0.080	The actual cost of long term borrowing for 2018/19 was 3.965%, which was below the assumed rate of 5.0%. The cost of borrowing was less than anticipated.
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	The Council overall service budgets underspent by £8.658m.
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	35%	10.795	Overall service budgets underspent in 2018/19 by £8.658m. In 2019/20 savings are being closely monitored to ensure these are delivered.
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	35%	2.380	See point 3 above
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 of 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	75%	1.500	The target of £8m for capital receipts to be used to fund revenue transformation costs was not achieved (it fell short by £0.843m). In addition the value of revenue transformation expenditure was less than anticipated by £3.368m. Total variance was £4.211m
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	The net capital programme for 2018/19 was reduced by £3.272m during the year due to rephasing into future years. At year end the revised capital programme was underspent by £50.108m.
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	35%	2.870	Overall service revenue spending, excluding schools, was underspent by £8.658m or 2.1%.
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	10%	0.480	Schools budgets were underspent by £21.000m or -4.0% of the schools budget.

APPENDIX B - Financial Risk Register 2018/19 - Outcomes

Risk	Consequences	Controls & Contingencies	Residual Risk			Estimated value of reserve needed £m	Review Comments	
			Impact - Annual Cost £m	Likelihood				
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	35%	1.750	The Council's insurance budget shows a deficit of £1.864m. The insurance fund is designed to enable the Council to 'self-insure' its insurable risks over the long term. The Council proposed to transfer £0.500m to the Insurance fund reserve to use in future years. This will give a balance of £5.737m to carry forward into 2019/20.
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	10%	0.090	The Council wrote off £416,397.56 or 0.003% of debt raised in 2018/19.
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	10%	2.500	No problems were experienced with loans made by the Council in 2018/19.
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	No major emergencies were experienced in 2018/19.
							30.625	
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	The contingency budget for 2018/19 was set at £3.000m. During the year £1.308m of this was utilised.
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	100%	-5.000	The Council planned to use £5.076m from the Financial Volatility Reserve to balance the budget in 2018/19 but none of this required as there was an overall underspend. As at 31 March 2019 the Council planned to use £3.087m to balance the 2019/20 budget and has £45.595m available for future uncertainties in 2020/21 and beyond.
				Risk if planned future savings for 2019/20 are utilised in 2018/19	-19.9	2	35%	-6.965
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	75%	-0.450	The Council took £40m of external borrowing during 2018/19 to finance the Capital Programme. The Council continued in 2018/19 to use a mixed approach of using internal balances and external borrowing to finance the Capital Programme.
							-15.415	
							15.210	

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%