

Section: FINANCE

Risk No	Risk Name	Vulnerability (Why, what's happening, what's the problem)	Trigger/risk (What's the event/ what could go wrong?)	Consequences (What would occur as a result, how much of a problem would it be, to whom and why?)
1.	Level of Balances	Effectiveness of agreed minimum level of working balances. For 2013/14 this is expected to be £2.3m which is 11.8% of net revenue expenditure	a. Minimum balance is insufficient to cover unexpected events. b. Minimum balance is in excess of real need	a. This would require a large single event or multiple unexpected events greater than £2.3m and would require the additional balances above the minimum level to have been depleted. At this time balances in excess of the minimum are expected to be in the region of £1.3m. b. In the past the Audit Commission has approved a policy of holding minimum balances at 10% of net revenue expenditure. This equates to £1.9m for 2013/14. However it is considered prudent to maintain the minimum level of balances at the maximum level it has previously been (£2.3m) due to the current economic climate.
2.	Inflation rate prediction	Inflation allowances are set for: <ul style="list-style-type: none"> • Energy costs • Contracts • Business Rates • Employee Costs Inflationary increases create a growth pressure of £0.37m in 2013/14	a. Actual level is above prediction b. Actual levels are below predictions	a. A failure to resource expenditure levels accurately will create an unexpected drain upon resources and the Council may not achieve its objectives without calling upon balances. b. The services may have supported the budget strategy through savings that were unnecessary, resulting in an increase in balances or unused resources that could be used to achieve strategic priorities.

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3.	National Strategy	Effectiveness of central government strategy as outlined in the spending review 2010 and more recent budget announcements	A failure of the national strategy to reduce the structural deficit as planned	The country has remained in recession longer than the originally planned period and the Chancellor of the Exchequer has indicated that additional reductions would occur in 2014/15 over and above those set out in the spending review. Given this period of notice the Council is able to take action to identify options to make further expenditure reductions by 2014/15. As the period of the spending review progresses the potential consequences are now clearer and actions to mitigate any remaining risk are more likely to be successful.
4.	Grants & Contributions	Funding received through grants and contributions from other public sector bodies may reduce. Although this sum varies annually it is in the region of £2.5m	A reduction in funding from sources within the public sector could occur as a cascade effect from the consequences of the government’s strategy on that body	The consequence of this risk is service specific and where services rely upon external resources or partnership arrangements the service may become at risk of termination if funding cannot be maintained or otherwise resourced.

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5.	Limitation of council tax increases	The third arrangement announced by central government for a council tax freeze includes a two year grant equivalent to a 1% increase in council tax. This is coupled with the requirement for a public referendum on “excessive” increases in council tax above 2%.	Should the grant be accepted by the council, provision must be made in 2015/16 to finance £0.16m without possibility of a tax increase to mitigate the loss in future years. In addition immediate savings of £0.16m must be found as the strategy has been developed on the basis of a 2% increase	<p>A 1% increase for 2013/14 equates to £160,000</p> <p>Over the period to 2021/22 the council will have foregone £1.8m in income based upon an annual uplift in council tax of 2%</p> <p>Acceptance of this grant creates an immediate additional budget pressure in 2013/14 and again in 2015/16 for which savings have not been identified</p>
6.	Fees & Charges	Fees & charges and other service based income sources could fail to deliver expected income levels	Fee charging services are being affected by falling demand due to the economy. A number of fees & charges have been identified for increases that average almost 2% of all income from such charges.	<p>A loss of income for service budgets will require restrictions on expenditure levels and delivery of all objectives may not be met. The total value of all income from fees and charges is in excess of £7.5m.</p> <p>Budget monitoring shows that the budgeted income from fees and charges in the current year is not being delivered, with an expected shortfall of £0.2m by year end. The proposals for increases in fees for 2013/14 have been carefully assessed against the requirements of the Council’s Fees and Charges Policy to reduce the risk of a similar occurrence in 2013/14.</p>

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7.	Capital financing	Availability of funding for the capital programme	<p>The budget strategy includes proposals for the use of new homes bonus that mitigate the majority of the risk from funding of the capital programme.</p> <p>Subject to approval of this approach by Council the risk will be limited to £0.3m if proposed asset sales do not occur.</p>	At the lower level of risk a number of options exist to finance the programme including the options to use prudential borrowing permissions or to create slippage in the programme from 2014/15 into 2015/16.
8.	Prudential Borrowing	The Treasury Management Strategy identifies prudential borrowing of £6m. This funding is to resource the acquisition of commercial assets that will make a return to the Council equal to or greater than the cost of borrowing. The principal and interest due annually on £6m would exceed £0.45m per annum over a 25 year period.	These commercial ventures may not return sufficient surplus to finance debt repayment.	<p>The Council is required to provision for repayment of debt in its revenue account through the minimum revenue provision. The budget strategy assumes this will be financed from the surplus generated by commercial activities.</p> <p>If these activities do not produce the surplus the asset may need to be sold to provide the receipt necessary to repay outstanding debt. The cabinet has set aside from balances a resource of £0.5m which may be utilised to temporarily repay debt in such circumstances but the cost would eventually become a burden on the tax payer if the asset does not generate the required receipt.</p>

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9.	Horizon scanning	Appropriate risks and opportunities must be recognised in advance	Horizon scanning requires input from all service managers and the financial consequences of future issues may not be clearly identified.	<p>On a small number of occasions the financial consequences of future events are likely to be significant. Failure to provide adequate warning would leave the council little time to prepare through the medium term financial strategy.</p> <p>In general these events bring consequences to other agencies and external relationships are important to ensure no such consequences are missed.</p>
10.	Efficiency	The level of saving required to achieve a balanced budget is significant and non-delivery of these savings will have a major consequence.	Failure to deliver savings and / or failure to monitor and react to non-delivery.	<p>Two of the savings proposed for 2013/14 are considered to be high risk. These total £0.2m. Failure to deliver on any saving proposal places an additional pressure on services levels and / or balances.</p> <p>In 2012/13, although there were five identified high risk issues, the savings proposals are on target to be delivered by the year end.</p>

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11.	Collection Fund	<p>Collection rates.</p> <p>a) The retention of business rates means that collection rates have become of local importance to ensure the retained element of business rates is maximised. Business rates due is in excess of £52m per annum.</p> <p>b) The localisation of support for council tax means that some element of the tax due will become due from benefit claimants with little or no previous experience of handling money or paying for any part of their council tax. This increases the risk of non-collection. Council tax due is in excess of £90m per annum with the cost of local support exceeding £10m per annum</p>	<p>The Council currently collects in excess of 97% of business rates due in year. This level of collection will mean a shortfall in locally retained resources.</p> <p>For tax payers on benefit and of working age there will be a requirement from 2013/14 to pay additional amounts of tax. Only 91.5% of the assessed benefit will now be supported by the local scheme and tax payers may find it difficult to identify resources to pay the balance due.</p>	<p>In both cases the consequence will be a reduced level of key resources to ensure a balanced budget. This will mean further cuts in other budgets or the cost of financing outgoing cash flow to other agencies in relation to taxes not yet collected.</p>

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12.	Medium term	<p>The medium term financial strategy includes a number of significant future changes to the environment that are being monitored closely:</p> <ul style="list-style-type: none"> • work on the core strategy and the local development framework • electoral registration changes • universal credit transition • The forthcoming spending review announced in the Autumn Statement 	<p>These are all significant changes for local government and require careful assessment of the possible consequences at each stage of the implementation.</p> <p>These issues are all identified in the medium term financial strategy at a level currently considered adequate to cover the likely consequences to this authority. The total is currently estimated at £0.8m over the period 2014/15 to 2015/16.</p> <p>The future spending review includes an assumption that an additional 2% reduction in public sector expenditure would occur in 2014/15 (£0.15m for this Council). The Chancellor of the Exchequer’s Autumn Statement predicted that the next spending review would see public sector spending reduction equivalent to those arising from the last review. Over the period to 2018/19 this could see a further 28% reduction in resources available to this Council from Government support.</p>	<p>The financial consequences based upon current knowledge are outlined in the strategic revenue projection.</p> <p>Should the provision be insufficient to cover the financial consequences to the council this will increase the pressure on the budget in the medium term.</p>

APPENDIX I

Risk Management: Risk Profile

The risks have been mapped against a typical appetite to risk. The risk assessment has been prepared in the context of key service objectives. The risks at this stage have not been 'mitigated'.

The **vertical axis** shows **Likelihood**:

A = very high; B = high; C = significant; D = low; E = very low; F = almost impossible

The **horizontal axis** shows **Impact**:

1= catastrophic; 2 = critical; 3 = marginal; 4 = negligible

