

2014/15 BUDGET RISK MANAGEMENT & CONTROL MEASURES

Risk Number	Category	Risk- cause/event	Impact of Risk	Probability of Risk (P) Score 1-5	Impact of Risk (I) Score 1-5	Score (Pxl)	Red (R) Amber (A) Green (G)	Risk Control Measures	Owner	Review Period
1	Financial and Budget Management	Budget management failure.	Overspend against budget requiring either in year savings or use of general fund balance.	3	4	12	R	<ul style="list-style-type: none"> Monthly monitoring at service level and quarterly monitoring to Councillors. 	Assistant Director Finance	Monthly
2	Financial and Budget Management	Non pay inflation increase insufficient.	Overspend against budget requiring either in year savings or use of general fund balance.	2	4	8	A	<ul style="list-style-type: none"> The budget process includes a specific requirement for services to consider what inflationary increases cannot be accommodated within existing budget. Monthly monitoring at service level and quarterly monitoring to Councillors 	Assistant Director Finance	Monthly
3	Financial and Budget Management	Inability of Cabinet and key officers to develop and agree savings proposals within required timescales.	Unable to set a balanced/ and robust budget without a significant call on reserves, and ultimately unable to set a legal budget at all.	4	4	16	R	<ul style="list-style-type: none"> Strong leadership from Cabinet members, Chief Executive, Strategic Directors, and the Assistant Director Finance. 	Assistant Director Finance	Monthly
4	Financial and Budget Management	Pay award greater than budgeted.	Overspend against budget requiring either in year savings or use of general fund balance.	2	4	8	A	<ul style="list-style-type: none"> In addition due to the risk associated with the budget an earmarked reserve of £3.0 million was established. 	Assistant Director Finance	Monthly
5	Financial and Budget Management	Staff turnover below assumed levels.	Overspend against budget requiring either in year savings or use of general fund balance.	2	3	6	A	<ul style="list-style-type: none"> As part of the development of 2014/15 budgets staff turnover levels will be reviewed and revised where possible and affordable. Monthly monitoring at service level and quarterly monitoring to Councillors. 	Assistant Director Finance	Monthly

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6	Financial and Budget Management	Exceeding the 5% partially exempt VAT limit.	Unable to claim back all VAT on partially exempt supplies. Resulting in overspend against budget requiring either in year savings or use of general fund balance.	2	3	6	A	<ul style="list-style-type: none"> Close scrutiny of new capital schemes to establish potential VAT implications in order that they can be effectively managed. Monthly monitoring of the expenditure and the 5% limit. 	Assistant Director Finance	Monthly
7	Financial and Budget Management	Loss of ICTS facilities, e.g. due to failure of systems and/or disaster recovery arrangements.	Lack of robust financial information on which to set and monitor budgets, leading to increased projected budget deficit requiring further savings to be identified or the use of general fund balance.	2	4	8	A	<ul style="list-style-type: none"> ICTS disaster recovery project and arrangements. 	Assistant Director Finance / Strategic Director Delivery	Monthly
8	Financial and Budget Management	Treasury Management Activity, including increases in the cost of borrowing and/or reductions in the return on investments.	Increased projected budget deficit requiring further savings to be identified or the use of general fund balance.	2	4	8	A	<ul style="list-style-type: none"> Robust Treasury Management Strategy. Established and experienced Treasury Management function. Proactive approach to the management of the council's cash flow, on a daily basis, including seeking opportunities to take advantage of borrowing opportunities when interest rates are favourable and seeking to maximise returns on investment whilst effectively managing the risk associated with those investments. External Treasury Management Advisors who provide a proactive and timely service and advice. 	Assistant Director Finance	Daily

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9	Financial and Budget Management	Single status - equal pay claims.	Settlement exceeds the level of provision available at the end of 2012/13. Resulting in overspend against budget requiring either in year savings or use of general fund balance.	3	3	9	A	<ul style="list-style-type: none"> Financial advice and close monitoring during the project, which is also reported to the project board. 	Assistant Director Finance	Monthly
10	Financial and Budget Management	Legal action to recover charges levied in good faith.	Legal cases may arise in relation to planning fees levied since 2005.	3	3	9	A	<ul style="list-style-type: none"> Close monitoring of legal challenges arising 	Assistant Director Regeneration	Monthly
11	Transformation Programme	Not delivering savings proposals included in the 2014/15 budget.	Overspend against budget requiring either in year savings or use of general fund balance.	4	5	20	R	<ul style="list-style-type: none"> Established governance and monitoring arrangements focused specifically on the Transformation Programme are in place. Monthly monitoring at service level and quarterly monitoring to Councillors. 	Assistant Directors	Monthly
12	Transformation Programme	Not identifying sufficient savings proposals to address the projected budget deficit.	Required to call general fund balance in order to set a balanced budget.	4	4	16	R	<ul style="list-style-type: none"> Established governance and monitoring arrangements focused specifically on the Transformation Programme are in place. 	Assistant Directors	Monthly

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13	Transformation Programme	Insufficient sum set aside for the implementation of replacement mainframe system.	Overspend against budget requiring either in year savings or use of general fund balance.	1	3	3	G	<ul style="list-style-type: none"> Governance arrangements in place for the project to implement replacement mainframe systems. Detailed business case has been prepared. Monthly monitoring at service level and quarterly monitoring to Councillors. 	Strategic Director Delivery	Monthly
14	Income and Funding	Reduction to government grant, compared to projections, when local government finance settlement announced.	Increased projected budget deficit requiring further savings to be identified or the use of general fund balance.	3	4	12	A	<ul style="list-style-type: none"> Close monitoring of developing national position and reporting to councillors. As a last resort general fund general balances would be available, this is not a sustainable strategy and can therefore only ever be used as a short-term measure. 	Assistant Director Finance	Monthly
15	Income and Funding	Reduction to other income.	Overspend against budget requiring either in year savings or use of general fund balance.	3	3	9	A	<ul style="list-style-type: none"> As part of the 2014/15 budget process income budgets will be reviewed and revised accordingly. Monthly monitoring at service level and quarterly monitoring to councillors. 	Assistant Directors	Monthly
16	Income and Funding	Higher than anticipated bad debts.	Overspend against budget requiring either in year savings or use of general fund balance.	3	3	9	A	<ul style="list-style-type: none"> Robust debt collection and recovery mechanisms in place. Monthly monitoring at service level and quarterly monitoring to councillors. 	Assistant Director Finance	Monthly

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17	Income and Funding	Lower than anticipated levels of capital funding.	Capital schemes are cancelled or delayed or have to be funded from revenue budgets and/or prudential borrowing resulting in an overspend against budget requiring either in year savings or use of general fund balance.	3	3	9	A	<ul style="list-style-type: none"> The capital programme is actively and closely managed and when so doing expenditure and income streams are continuously monitored. The Capital Programme Working Group provides governance and control in respect of the capital programme. Quarterly monitoring to Councillors. 	Strategic Director Education and Enterprise/ Assistant Directors	Monthly
18	Income and Funding	Claw back of grant by funding organisation	Overspend against budget requiring either in year savings or use of general fund balance.	1	3	3	G	<ul style="list-style-type: none"> Monthly monitoring at service level and quarterly monitoring to Councillors. 	Assistant Directors	Monthly
19	Income and Funding	Reduction to government grant as a result of specific changes to grant distribution systems, e.g. consultations formula grant etc.	Increased projected budget deficit requiring further savings to be identified or the use of general fund balance.	3	4	12	A	<ul style="list-style-type: none"> Close monitoring of developing position and reporting to Councillors. 	Assistant Director Finance	Monthly

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20	Income and Funding	Business Rates reduction in income due to appeals / business failure / academisation	Underrecovery of projected corporate income	4	4	16	R	<ul style="list-style-type: none"> • Monitor business failure closely. • Work with businesses to ensure conditions are in place to secure success. • Work with VOA to ensure rateable values are reasonable and appeals are able to be predicted. • Invest in anti-fraud measures. 	Assistant Director Finance	Monthly
21	Income and Funding	The on-going introduction of a new Council Tax discount, which used to be a benefit, leads to uncollectability of debt, higher rates of claiming and overall lower council tax collected	Underrecovery of projected corporate income	3	3	9	A	<ul style="list-style-type: none"> • On-going monitoring take up of discount closely to see if rates increase. • Invest in anti-fraud measures. 	Assistant Director Finance	Monthly

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22	Service Demands	Increased demand for services including the impact of social and demographic pressures on demand for services, these pressures can be compounded in an economic downturn.	Overspend against budget requiring either in year savings or use of general fund balance.	4	5	20	R	<ul style="list-style-type: none"> As part of the 2014/15 budget process budgets will be reviewed and revised accordingly taking account of known and anticipated increases in demand. Monthly monitoring at service level and quarterly monitoring to Councillors. 	Assistant Directors	Monthly
23	Third Parties	Third parties and suppliers cease to trade or withdraw from the market.	Short term expensive solutions may be necessary. Requirements to undertake tender exercise. Increased on-going cost due to reduced competition. Overspend against budget requiring either in year savings or use of general fund balance.	3	3	9	A	<ul style="list-style-type: none"> Departments using external service suppliers work closely with them and are kept abreast of their service and business situation. This gives the council notice of emerging problems. Monthly monitoring at service level and quarterly monitoring to Councillors. 	Assistant Directors	Monthly

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24	Third Parties	An organisation that the Council has provided a pension fund guarantee for ceases to exist.	Required to fund any resulting shortfall in the pension fund of that organisation.	3	3	9	A	<ul style="list-style-type: none"> Register of such organisations established by Internal Audit. Work closely with such organisation when any indications, concerning financial viability, come to light in order to stabilise the financial standing of the organisation. Seek to agree with the Pension Fund that any shortfall can be absorbed within the Council's existing pension deficit. 	Assistant Directors	Monthly
25	Government Policy	There are changes to Government policy that have service and budget impact e.g. free personal care at home.	Increase in the projected budget deficit and/or overspend against budget requiring either further savings or use of general fund balance.	2	4	8	A	<ul style="list-style-type: none"> Close monitoring of developing national position and reporting to Councillors. Monthly monitoring at service level and quarterly monitoring to Councillors. 	Assistant Directors	Monthly
26	Government Policy	Changes in VAT rules, e.g. regarding salary sacrifice schemes etc.	Increased projected budget deficit requiring further savings to be identified or the use of general fund balance e.g. as a result of retrospective payment of VAT on schemes adopted by the Council e.g. Home Computer Initiative	2	2	4	G	<ul style="list-style-type: none"> Monthly monitoring at service level and quarterly monitoring to Councillors. 	Assistant Director Finance	Monthly

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27	Government Policy	Personal taxation calculations – HMRC no longer accepting the council's methods	May require additional payments to be made to HMRC, and costs arising from the administration of any changes	1	4	4	G	<ul style="list-style-type: none"> Working with taxation advisors in order to develop robust arguments to limit any potential liability. 	Assistant Director Finance	Monthly
28	Government Policy	The government has introduced auto-enrolment in the pension scheme for all staff.	Cost implications of membership of the scheme and management of this process are both unpredictable	4	3	12	A	<ul style="list-style-type: none"> Close performance monitoring in the early months of service delivery to ensure cost increases are predicted early and constrained wherever possible. 	Assistant Director Finance	Monthly