

Financial Standing and Risk

EI - Government Policy Risk	Implications	Likelihood	Impact	Commentary	Controls and Risk Management
<p>Changes to government funding mechanism</p>	<p>Changes to mechanism and the main revenue support grant may have an adverse impact on the Council’s financial position.</p> <p>Other potential changes may also lead to further reductions.</p>	<p>High</p>	<p>High</p>	<p>Spending Review 2019</p> <p>Proposed changes from Fair Funding Review and 100% Business Rates Retention.</p>	<p>Efficiency Plan implemented</p> <p>The impact of changes is estimated where possible and a proactive stance is taken in challenging / consulting on proposals.</p> <p>Background provision for reacting to grant changes held.</p> <p>Any use of reserves needs to be linked to requirement to replenish them</p>
<p>Exiting the EU</p>	<p>Leaving without an agreed deal will lead to significant issues under several headings including:</p> <ul style="list-style-type: none"> • financial 	<p>High</p>	<p>High</p>	<p>It is not clear whether a deal will be agreed prior to Exiting the EU and as such, a “no deal” scenario is possible</p>	<p>A council wide taskforce group considers issues and coordinates communications as this evolves</p>

EI - Government Policy Risk	Implications	Likelihood	Impact	Commentary	Controls and Risk Management
	<ul style="list-style-type: none"> • procurement • staffing • security • health & social care • housing 				
Various – see below					

Examples of Government Policy Risk					
<ul style="list-style-type: none"> • Academisation • Right to Buy • White / Green Papers (housing/ social care) • Care Act • Welfare reform 	<ul style="list-style-type: none"> • National schools funding formula • Social housing rent formula • Homelessness • Government grant deployment • Unprotected government grants 	<ul style="list-style-type: none"> • Fair Funding review • 100% business rates retention • Possible transfer of responsibilities • SR19 			

E2 - Economic / Financial Risk	Implications	Likelihood	Impact	Commentary	Controls and Risk Management
Interest Rate instability	Due to exposure / gearing could result in additional net costs	High	High	Interest rates have commenced rising from their ultra-low levels.	<p>Treasury Management Strategy</p> <p>Officers use treasury advisers to forecast / manage interest rates.</p> <p>Background provision held against General Fund Balances</p>
Inflation	Increases in the rate of inflation could result in upward budget pressure and may not be matched by additional income	High	High	Inflation has commenced rising from its relatively benign state	<p>Published and locally determined indices are utilised.</p> <p>Background provision held against General Fund Balances</p>
Long term debt management	Long term liabilities and exposure to greater uncertainty due to the longer time horizon.	Low	Medium	Effective management of investments, fixed assets and long term debt can give stability.	<p>Treasury Management Strategy.</p> <p>Proactive approach to investment and debt, including appointment of Treasury Advisors and formal investment strategy.</p>

E2 - Economic / Financial Risk	Implications	Likelihood	Impact	Commentary	Controls and Risk Management
<p>Shortage of working capital / cashflow</p>	<p>Low levels of cash in hand can have an adverse impact on investment.</p> <p>Poor debt recovery can result in a need to increase the bad debt provision.</p>	<p>Low</p>	<p>Medium</p>	<p>The importance of managing the Council's cash flow position has heightened includes factors such as the Priority Investment Programme entering project delivery phase - includes management of disposals and expenditure scheduling to meet the underwriting of investment programmes.</p>	<p>No additional budgetary provision currently required.</p> <p>Cash flows are monitored as part of the Council's Treasury Management.</p> <p>Cash envelope discipline applied</p> <p>Debt collection rates monitored and practices reviewed</p>
<p>Market and economic developments</p>	<p>Market movements can affect service take up and income.</p> <p>Homelessness and social care affected by supply and demand factors</p>	<p>High</p>	<p>High</p>	<p>Responses to market pressures are considered as part of the budget process. Effectively this risk and associated reserves represent market volatility where the Council is involved.</p>	<p>Background provision held against General Fund Balances</p>

Examples of Economic / Financial Risk

- shape / timing of changes to the economy
- wages (LLW, NMW, NLW)
- early implementation of savings
- reducing slippage
- impact upon tax receipts for the borough
- cost control
- maintaining close partnership working
- ensuring project viability

E3 - Legal / Regulatory Risk	Implications	Likelihood	Impact	Commentary	Controls and Risk Management
New legislation	The Council could be assigned new responsibilities - not always with additional funding immediately available.	High	High	Although pressures could be identified, it is not always possible to meet the pressure.	Respond to consultations / lobby New Burdens principles Hold against General Fund Balances
Litigation against council	Risk of action being taken against the council, for instance in relation to Planning or Health and Safety.	Low	Low		There are clear policies and procedures for services. Use of specific funds held against services and General Fund Balances.

<p>Partnership / Contractual</p>	<p>The Council has a range of joint delivery vehicles, where the Council is the accountable body it needs to be mindful of any risks.</p> <p>Key suppliers</p>	<p>Medium</p>	<p>Medium</p>	<p>Good governance arrangements are in place, with regular monitoring. Any resulting financial exposure can fall to the appropriate service budgets.</p> <p>Specific monitoring arrangements at a corporate and service level are in place.</p> <p>Below average risk that major under-performance would be encountered</p>	<p>Procurement – new strategy incl social value</p> <p>Contact management</p> <p>Risk allocation</p> <p>Contract provisions to safeguard councils position</p> <p>Background provision, as risks fall to services.</p>
<p>Major Fraud</p>	<p>A major fraud would damage the Council’s reputation and potentially result in a financial loss</p>	<p>Low</p>	<p>Low</p>	<p>Strong Governance Framework and Anti-Fraud Team in place.</p>	<p>Adherence to Governance arrangements.</p> <p>Held against background General Fund Balances.</p>

Pension Fund	Uncertainty in relation to future scheme changes outside control of the Council.	Medium	Medium	The next triennial valuation is due as at 31 March 2019.	Pension Fund Investment and Administration Panel monitor developments and any proposed national changes
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Examples of Economic / Financial Risk

- effective commissioning, procurement and contract management to deliver VfM and mitigate against failures e.g. care providers / large public sector contractors
- keeping vulnerable and young persons safe

E4 - Socio-Demographic Risk	Implications	Likelihood	Impact	Commentary	Controls and Risk Management
Demographic and Population	Regeneration and demand shifts in services can have a significant impact on the budget. Additional effect is not fully reflected by additional revenue.	High	High	Client numbers and demand generally are predicted as part of the budget setting process. However, due to unit costs, small changes in client numbers can result in significant costs being incurred at short notice. Population growth and	Currently services hold risk against budgets. Incidence of budget impact and, therefore, ability to react may require support of General Fund Balances. Additional resources in current MTFS

Population is one of the key factors in the formula for funding mechanisms.

Significant growth or reductions relative to other authorities can have an impact on funding.

projections arising from regeneration, alongside relative need, are key factors.

Projected developments across the borough will have major distributional effects.

Efficiency gains required to offset effects, where possible, but are limited.

Examples of Economic / Financial Risk

- adult social care / no recourse - demand led
- increasing numbers of cases with complex needs
- relatively young adult social care client base
- general longevity, including those in care
- workforce - timing of change
- workforce - retention of skills and knowledge

E5 – Technological Risk	Implications	Likelihood	Impact	Commentary	Controls and Risk Management
System failure	A major system failure could result in substantial unforeseen expenditure at short notice.	Medium	High	Increasing reliance upon IT systems - reliability.	ICT has a risk management system in place to mitigate this risk.

E6 – Environmental Risk	Implications	Likelihood	Impact	Commentary	Controls and Risk Management
Natural event or as a result of human involvement	<p>The Council would activate its emergency plan.</p> <p>Substantial unexpected expenditure could be incurred, especially in short term.</p>	Low	Medium	<p>Some events could result in additional expenditure, likely to be minimal unless a major incident / catastrophe.</p> <p>Sufficient resources to deal with immediacy and recovery phases.</p>	<p>Detailed emergency plans are in place.</p> <p>Continue to develop emergency plans and carry out tests.</p> <p>Some expenditure would be recoverable under the Bellwin scheme.</p> <p>Some background risk.</p>

Examples of Economic / Financial Risk

- Adverse weather conditions
- Accident
- Terrorism
- Natural disaster