

Risk Register: Financial Strategy 2017/18- 2021/22

APPENDIX 1

| No. | Risk Category | RISK Threat to achievement of business objective | Scope/potential consequences of risk | Assessment of Risk (likelihood x impact) <i>Assume No Controls in Place</i> | | | Risk Control Measures in Place | Are all Controls Operational? | Potential Financial Risk | Assessment of Residual Risk (likelihood x impact) With Control Measures | | |
|-----|---------------------|---|---|---|--------|------------|---|-------------------------------------|---|---|--------|------------|
| | | | | Likelihood | Impact | Risk Score | | | | Likelihood | Impact | Risk Score |
| | | | | | | | Y / N / Partial | £ | | | | |
| 1 | Economy and Funding | Reduction in Government funding to Local Authorities in real terms. | Less funding from Government, reduction in ability to provide services, take on of other agencies' responsibilities. | 3 | 3 | 9 | Estimate of reducing resources over the 5 year period built into financial plan. | Y | 2,500,000 based on 1% variation in future govt grant levels and financial plan assumptions | 3 | 3 | 9 |
| 2 | Economy and Funding | Inability to increase local funding because of Council Tax freeze. | Adverse effect on ability to raise income and therefore provide services. | 5 | 3 | 15 | Council tax will increase from 2017/18. Council tax product reassessed as part of budget process. | Y | 0 | 2 | 3 | 6 |
| 3 | Economy and Funding | Continuation of depressed housing market. | Assumption re Developer Contributions prove too optimistic. Funding shortfall for railway, PPP schools etc. Risk of Challenge to existing policy with knock on impact on funding available for essential infrastructure projects. | 4 | 3 | 12 | Budget adjustment to take account of potential shortfall, diverting resources from other priorities in revenue and capital plans. Reassessment of likely developer contributions undertaken as part of review of CIP funding. | Y | 0 | 4 | 2 | 8 |
| 4 | Environment | Weather - adverse winter conditions. | Strain on Winter Maintenance budget. Additional revenue and capital costs. | 4 | 4 | 16 | Bellwin Scheme available , but only at significantly high levels and within certain criteria. Not available to cover higher costs of adverse winter weather. Reserve of £650k earmarked to provide contingency for Winter. Development of Community Resilience Scheme progressing but unlikely to make significant impact on costs. | Y | 1,000,000 (unfunded residual estimate of Adverse Winter beyond average conditions) | 4 | 3 | 12 |

Risk Register: Financial Strategy 2017/18- 2021/22

APPENDIX 1

| No. | Risk Category | RISK Threat to achievement of business objective | Scope/potential consequences of risk | Assessment of Risk (likelihood x impact) Assume No Controls in Place | | | Risk Control Measures in Place | Are all Controls Operational? | Potential Financial Risk £ | Assessment of Residual Risk (likelihood x impact) With Control Measures | | |
|-----|----------------|---|--|--|--------|------------|---|-------------------------------------|-------------------------------------|---|--------|------------|
| | | | | Likelihood | Impact | Risk Score | | | | Likelihood | Impact | Risk Score |
| | | | | | | | Y / N / Partial | £ | | | | |
| 5 | Environment | Weather - severe floods | Additional revenue and capital costs. | 3 | 4 | 12 | Bellwin Scheme, applies at £509,000 threshold and within certain criteria. Capital provision for Selkirk Jedburgh and Gala flood works to be delivered through CIP. Funding of 80% assumed by Hawick. This expenditure was incurred in 2016/17. | Y | 509,000 | 3 | 3 | 9 |
| 6 | Budget Control | Inability to achieve projected savings. | Increased risks due to budget not being met, may result in future reduced service provision as a consequence. | 4 | 3 | 12 | Tracking through monitoring process. Monitoring indicates around 75% - 80% of savings are being delivered in line with plan each year . £9.5m savings assumed in 2017/18. around £1m delivered on a temp basis in 2016/17. Difficulty of delivery increasing. | Partial | 1,950,000 | 3 | 3 | 9 |
| 7 | Budget Control | Future demographics - Social Work. Ageing population, more children with complex needs. | Additional revenue and capital costs. Assumption this will be funded by transfer from IJB. | 5 | 3 | 15 | Business and medium term Revenue Financial Plans aligned to demographic pressures. | Y | 0 | 4 | 2 | 8 |
| 8 | Budget Control | Future Demographics Vulnerable Children. | Risk of significant overspend due to demand pressures and the need to accommodate looked after children in expensive residential settings including secure units. | 5 | 4 | 20 | Current costs reflected in revenue budget. | Partial | 0 | 3 | 3 | 9 |
| 9 | Projects | Development Major Capital projects requiring Govt Support E.g. Flooding | Potential Requirement to Write costs incurred developing capital Schemes off to Revenue should Govt Support not be forthcoming. Further risk of need for project acceleration in response to current flood events. | 3 | 4 | 12 | Inherent risks associated with development of large complex capital schemes e.g. Hawick Flood. Robust project management. Dialogue and ensuring necessary statutory approvals are achieved mitigates risks. | Y | 0 | 3 | 3 | 9 |

Risk Register: Financial Strategy 2017/18- 2021/22

APPENDIX 1

| No. | Risk Category | RISK Threat to achievement of business objective | Scope/potential consequences of risk | Assessment of Risk (likelihood x impact) <i>Assume No Controls in Place</i> | | | Risk Control Measures in Place | Are all Controls Operational? | Potential Financial Risk £ | Assessment of Residual Risk (likelihood x impact) With Control Measures | | |
|-----|------------------|--|---|---|--------|------------|---|-------------------------------------|-------------------------------------|---|--------|------------|
| | | | | Likelihood | Impact | Risk Score | | | | Likelihood | Impact | Risk Score |
| | | | | | | | Y / N / Partial | | | | | |
| 10 | IT | Increased cost of service provision outwith CGI contract. | Requirement to deliver significant savings set to in IT business case . | 3 | 2 | 6 | Financial plan in place to deliver necessary savings but increased risk over delivery as finances become tighter. Partial | 1,000,000 | 3 | 2 | 6 | |
| 11 | Supplier failure | Major contractors / providers of essential services going out of business e.g. Transport provider. | Immediate pressure on revenue budgets / reserves. Increased evidence of routes being handed back following retendering. | 3 | 3 | 9 | In some cases monthly contract monitoring and ongoing liaison. More due diligence required during and before contract periods. Partial | 100,000 | 3 | 3 | 9 | |
| 12 | Pension Fund | Local Government Pension Scheme - increase in employer contributions | Increased costs to the Council through increased employer contributions and impact on service budgets | 4 | 4 | 16 | Triennial Valuation with options to deal with projected funding deficit through recovery period and / or medium term Revenue Financial Plan. Planned change to LGPS in 2015 to contain costs based on CARE scheme. Next Fund valuation due as at 31 March 2017. Positive results from 2014 valuation maintained contributions at 18% with 101% funding level Y | 0 | 3 | 3 | 9 | |
| 13 | Pension Fund | Pension Fund Including Admitted Bodies. Change in level of participation in the pension fund leading to a risk re past service cost. | Call on Council indemnity for past service costs. | 3 | 2 | 6 | Ongoing monitoring and engagement with admitted bodies and appointed actuary. Impact of auto enrolment being monitored along with financial impact of changes to the composition of scheme membership. Y | 700,000 | 3 | 2 | 6 | |

Risk Register: Financial Strategy 2017/18- 2021/22

APPENDIX 1

| No. | Risk Category | RISK Threat to achievement of business objective | Scope/potential consequences of risk | Assessment of Risk (likelihood x impact) <i>Assume No Controls in Place</i> | | | Risk Control Measures in Place | Are all Controls Operational? | Potential Financial Risk | Assessment of Residual Risk (likelihood x impact) With Control Measures | | |
|-----|---------------------|---|--|---|--------|------------|---|-------------------------------------|---|---|--------|------------|
| | | | | Likelihood | Impact | Risk Score | | | | Likelihood | Impact | Risk Score |
| 14 | Economy and Funding | Counterparty risk | Funds deposited in banks are lost | 3 | 3 | 9 | Disciplined maintenance of counterparty list, spread deposits where practicable. Treasury strategy and policy in place and regularly reviewed. Daily Information from Capita Asset Services. Annual revisions made to strategy to reflect changes in the economic situation. Compliance with credit control worthiness policy monitored on an ongoing basis and robust scrutiny at point of investment. | Y / N / Partial Y | £ 0 | | | |
| 15 | Economy and Funding | Increase in scale of bad debts owed to the Council (AR, Council Tax, NDR) | Potential pressure on revenue budgets as greater amounts need to be written off. Debt recovery arrangements indicate this risks is being managed with significant improvement in recent years over debt management and recovery. | 4 | 3 | 12 | Bad Debt provision in place, proved adequate for C/Tax and NDR historically. More robust policy framework now in place. Current level of bad debt provision acceptable debt acceptable. | Y | 125,000 | 3 | 2 | 6 |
| 16 | Economy and Funding | Change to taxation base e.g. NDR income lies with collecting Authority and not part of national pool | Reduced level of NDR income for Council with subsequent pressure on revenue budgets | 2 | 2 | 4 | 3 year spending review, medium term Revenue Financial Plan | Partial | Estimate Covered in Finance plan | 1 | 2 | 2 |
| 17 | Budget Control | General Contingency including - Failure of budgetary control processes (increased likelihood as budgets are stretched). Savings required by the 5 Year financial plan not delivered or delayed. Increased risk of overspend given pressures arising from H&SC integration, unplanned withdrawal of resource transfer funding or around delayed discharge. | Unexpected overspends in revenue and / or capital budgets. | 4 | 3 | 12 | Monitoring processes, both for revenue and capital. Monitoring now includes tracking of delivery of required efficiencies. Risk analysis re delivery of savings approved in financial plan. Monthly reporting to CMT and quarterly reporting to Executive. Challenges facing the Council associated with constraints on public sector funding are increasing. | Y | 2,600,000 (1% overspend risk on £260m) | 3 | 3 | 9 |

Risk Register: Financial Strategy 2017/18- 2021/22

APPENDIX 1

| No. | Risk Category | RISK Threat to achievement of business objective | Scope/potential consequences of risk | Assessment of Risk (likelihood x impact) Assume No Controls in Place | | | Risk Control Measures in Place | Are all Controls Operational? | Potential Financial Risk £ | Assessment of Residual Risk (likelihood x impact) With Control Measures | | |
|---|---------------------|--|---|--|--------|------------|--|-------------------------------------|---|---|--------|------------|
| | | | | Likelihood | Impact | Risk Score | | | | Likelihood | Impact | Risk Score |
| 18 | Pension Fund | Auto Enrol enrolment in pension Fund | Increase in the cost of employers superannuation for previously opted out employees. Risk level based on 236 staff due to enrol by 2017. | 5 | 3 | 15 | Continue to monitor | Partial | 236,000 | 5 | 2 | 10 |
| 19 | Economy and Funding | Municipal Mutual Insurance | Council is a scheme creditor of failed insurance firm. Solvent run off of the company no longer anticipated. | 4 | 3 | 12 | Contained monitoring of the situation - no risk mitigation possible. Provision made in allocated balances. | N | 0 | 4 | 3 | 12 |
| 20 | Economy and Funding | Contractual legal claims/ penalties levied against council claim | Litigation from contractor following failure of Council to enact obligations under a strategic contract e.g. PPP works compensation event. Contractual claim resulting from legal disputes. Legal costs following an adverse judgement. | 4 | 3 | 12 | Monitoring processes, both internal and reporting to Members. Corporate Approach to project delivery and Business Transformation. Council's legal position will be robustly defend via Court Process if necessary. | Y | 100,000 general est. based on current risks. | 4 | 3 | 12 |
| 21 | Economy and funding | Compliance failure with HMRC requirements | Penalty and Interest due to failure of business processes. | 4 | 3 | 12 | Review of Business processes to ensure they remain fit for purpose. | Partially | 50,000 | 4 | 3 | 12 |
| 22 | Economy and funding | EU grant funded programmes | Risk of claw back of grant funding following EU grant funded programme conformity audit | 4 | 3 | 12 | Satisfactory governance systems within SBC. Discussions continue with Scottish Government to ensure clear guidance. | Partially | 0 | 3 | 4 | 12 |
| Projected General Fund balance as at 31 March 2016 | | | | | | | | | 5,638,000 | | | |
| Risks Per risk register | | | | | | | | | 10,870,000 | | | |
| % of Risks per risk register covered by unallocated balances | | | | | | | | | 52 | | | |