

Risk Assessment

A risk assessment has been conducted. Whilst individually many of the risks are not particularly high, some are and also a view must be taken on the likelihood of a number of these risks materialising in any one-year, and the combined impact. Some of these risks could generate either an over-spend or underspend – for instance interest rates can go up or down. There are other examples of opportunities or windfalls that need to be taken into account such as rate rebates and additional grant income.

The following approach has been used:

Likelihood			
Rating	Description	Range	Midpoint
A	Very High	>80%	90%
B	High	51-80%	65%
C	Significant	25-50%	38%
D	Low	10-24%	17%
E	Very Low	3-9%	6%
F	Almost impossible	1-2%	

Impact	
Rating	Description
I	Catastrophic
II	Critical
III	Marginal
IV	Negligible

For each identified risk, the worst-case scenario in terms of possible overspend or income shortfall has been identified and multiplied by the likelihood. The risks have been quantified as shown in the table above.

The total value of risk that has been quantified for 2013-14 is £10.4m.

However, the budget for 2013-14 includes a contingency of £3m which is intended to cover unforeseen costs and risks (demography, waste tonnage, homelessness, income generation etc). Therefore the net risk is £7.4m.

The risk level is greater in 2014-15 due to the uncertainty of future events. The risk level is higher still in 2015-16 and 2016-17 due to the scale of the funding gaps, uncertainties surrounding Welfare Reform and the Governments spending plans for local government. It is partially offset by planned contingency increases.

Budget Risk Register 2013-14

1. By-election
2. Inflation – pay
3. Inflation - prices
4. Inflation – utilities
5. Treasury Management
6. Asset management
7. Income collection
8. Welfare Reform
9. Outcome of Leisure and Library tendering process
10. Income from parking services
11. Changes to grant regime
12. Economic risk – capital receipts
13. Economic risk – demand for services
14. Litigation against the Council
15. Major Fraud
16. Increased Pension fund contributions
17. Levies, Precepts and Subscriptions
18. Financial control environment
19. Insurance claims
20. Demographic changes: additional demand for social care
21. System failure
22. Lack of disaster recovery capability
23. New policy/legislation
24. Safeguarding
25. Natural disaster /accident/terrorist incident
26. Adverse weather conditions
27. Non achievement of savings
28. Workforce –loss of permanent staff
29. Transformation programme
30. Breakdown of relationships - Strategic partnerships
31. Shared Services not meet partner aspirations
32. Commercial partnerships

Likelihood	A Very High	Green	Orange	Red	Red
	B High	Green	Orange 12, 13, 24	Red 23	Red
	C Significant	Green	Orange 2, 3, 4, 9, 10,14,19, 21, 28	Red 8,20,22, 27, 29, 30,	Red
	D Low	Green 1	Green 11,18,26	Orange 31, 32,	Orange
	E Very Low	Green 17	Green 7, 15, 25	Green	Orange
	F Almost Impossible	Green 16,	Green 5 6	Green 4 5	Green
		4 Negligible	3 Marginal	2 Critical	1 Catastrophic
	Impact				

Risk Register 2012-13 to 2014-15

Ref	Risks	Risk rating	2013-14			Risk rating	2014-15			Risk rating	2015-16			Risk rating	2016-17			Mitigation/Comments
			Worst case £000	Like - lihood %	Net risk £000		Worst case £000	Like - lihood %	Net risk £000		Worst case £000	Like - lihood %	Net risk £000		Worst case £000	Like - lihood %	Net risk £000	
	<u>POLITICAL RISKS</u>																	
1	By-Election	D 4	70	17%	12	D 4	70	17%	12	D 4	70	17%	12	D 4	70	17%	12	There is provision in the budget for the scheduled elections but not by-elections. Worst case is based on two by-elections in one year.
	<u>ECONOMIC / FINANCIAL RISKS</u>																	
2	Inflation - Pay	C 3	950	38%	361	D 3	1000	17%	170	D 3	1500	17%	255	D 3	1500	17%	255	The 2013-14 and 2014-15 budget is based on 1% for pay in line with the Government's public sector pay policy. From 2015-16 2% p.a. is assumed. There is some risk as general inflation is running at a higher level and there is pressure from the Trade Unions for a higher increase. Given the current relatively depressed economy there is likely to continue to be downwards pressure on pay generally. The longer pay restraint continues the more likely there will be a rebound when the economy improves again.

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3	Inflation - Prices	C 3	1500	38%	570	D 3	1000	17%	170	D 3	1000	17%	170	D 3	1000	17%	170	The 2013-14 budget is based on 1.5% for prices and 2% subsequently. There is some risk as general inflation is running above 2%. It is however anticipated that given the general constraint on public spending that significant elements of the Council's spend can through negotiation be held below the general level of inflation. There are potential risks around fuel costs and major contracts with indexation terms
4	Inflation - utilities	C 3	200	38%	76	D 3	200	17%	34	D 3	200	17%	34	D 3	200	17%	34	The 2013-14 budget reflects an allowance for an increase of 10% in energy prices. The market is however volatile.
5	Treasury Management - investments and borrowing	F 2	10000	1%	100	F 2	10000	1%	100	F 2	10000	1%	100	F 2	10000	1%	100	The risk of losing a deposit is low given the use of a prudent lending list. The budget reflects the current base rate and anticipated borrowing costs. Note that Treasury Management decisions also affect the HRA and have the potential to impact the 30 year business plan. This in turn could impact homelessness.
6	Asset management.	F 3	1000	10%	100	F 3	1000	10%	100	F 3	1000	10%	100	F 3	1000	10%	100	Backlog maintenance is significant and the capital programme funds the highest priority work only. The creation of Academies has reduced the risk as these are no longer a Council responsibility.

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			£000	%	£000		£000	%	£000		£000	%	£000		£000	%	£000	
7	Income collection: council tax, business rates, housing benefit overpayments, parking enforcement, sundry debtors, rents and service charges	E 3	1,000	10%	100	E 3	1,000	10%	100	E 3	1,000	10%	100	E 3	1,000	10%	100	Collection performance has improved considerably in the last few years, and the bad debt provision is reviewed quarterly.
8	Welfare Reform	C 2	4,000	40%	1,600		4,000	40%	1600		4,000	30%	1200		4,000	30%	1200	There are a number of areas of potential risk, some of them previously identified separately. The risks are however considerably increased because of welfare Reform and are linked. Council Tax Collection may be impacted in respect of Taxpayers who will now be expected to contribute more or start to pay Council Tax. Homelessness may increase as a result of Housing Benefits no longer covering all or as much of rent. Financially stressed clients may have increased Social Care interactions etc. Collection methods are being adapted to mitigate impacts and the Harrow HELP fund established but increased costs and loss of income is anticipated.
9	Outcome from Leisure and Library tendering process	C 3	200	25%	50		400	25%	100		400	25%	100		400	25%	100	
10	Income from parking services and parking enforcement	C 3	600	38%	228	C 3	600	38%	228	C 3	600	38%	228	C 3	600	38%	228	There have historically been pressures in this area however collection has improved in 2012-13. There is some ongoing risk given the current economic climate and improved compliance rates with parking restrictions.

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11	Changes to grant regime	D 3	300	17%	51	C 3	1,000	38%	380	C 3	1,000	38%	380	C 3	1,000	38%	380	The budget for 2013-14 reflects the local government settlement although a few grants have yet to be confirmed. There is more uncertainty from 2015-16 with no figures announced but the deficit reduction programme anticipated to continue.
12	Economic risk - capital receipts	B 3	0	0%	0	B 3	2,000	40%	800	B 3	1,600	40%	640	B 3	500	40%	200	The MTFS assumes capital receipts of £12m in 2013-14, £10m in 14-15 and £2m p.a. subsequently. There is always some risk until completion however the market has improved in recent years.
13	Economic risk - demand for services	B 3	500	65%	325	B 3	500	65%	325	B 3	500	65%	325	B 3	500	65%	325	There may be additional demands on services such as housing due to the recession. There are also risks to income earning services such as planning and building control from lower volumes. This is in addition to the risks specifically linked to Welfare Reform and identified separately.
14	Litigation against the Council	C 3	2,000	38%	760	C 3	2,600	38%	988	C 3	2,000	38%	760	C 3	2,000	38%	760	The MTFS includes an annual contribution to a provision for litigation including employment and planning related matters. Some of this risk will be covered by insurance, but individual cases can have significant cost. There is a heightened risk of a procurement challenge due to the EU remedies directive. There is also the potential for risk around the costs of Health and a possible risk of judicial review across a wide range of services, particularly Adult and Children's Social Care

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15	Major fraud	E 3	200	6%	12	E 3	200	6%	12	E 3	200	6%	12	E 3	200	6%	12	No major cases in recent years.
16	Increased Pension Fund contributions	F 4	0	0%	0	D 3	500	17%	85	D 3	500	17%	85	D 3	500	17%	85	The MTFs provides for an increase in employers contributions at 0.25% in 2013-14 and thereafter 0.5% p.a. There is some risk that higher contributions will be required because of fund performance although it is anticipated that any further increases will still be in stages
17	Levies, Precepts and Subscriptions	E4	600	20%	120	E4	600	6%	36	E4	600	6%	36	E4	600	6%	36	The Council pays a range of levies, precepts and subscriptions. These are set by other bodies and usually known before the budget is approved. It is however possible for them to have in year financial problems requiring a supplementary levy.
18	Financial control environment	D 3	1,000	17%	170	D 3	1,000	17%	170	D 3	1,000	17%	170	D 3	1,000	17%	170	Risk mitigated by budget monitoring arrangements, refresher training, improvement boards. It is anticipated that the improvements contained in the Finance Transformation will further mitigate risks.
19	Insurance claims	C 3	1,000	38%	380	E 3	500	6%	30	E 3	500	6%	30	E 3	500	6%	30	An actuarial review has been carried out at regular intervals, the annual contribution is being steadily increased and the balance in the provision reflects the claims liability. MMI has gone into administration, however this has largely been provided for already and any further contribution to the provision will take place in 2012-13.

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	<u>SOCIAL RISKS</u>	-	-															
	-	-	-															
20	Demographic changes: additional demand for social care.	C 2	2000	40%	800	C 2	2000	40%	800	C 2	2000	40%	800	C 2	2000	40%	800	The MTFS reflects anticipated demand for social care for both Children and Adults. However, small fluctuations can generate considerable cost. There is the potential for some Health funded continuing care case currently in dispute to become Harrow's responsibility
	<u>TECHNOLOGICAL RISKS</u>	-	-															
	-	-	-															
21	System failure	C 3	250	38%	95	C 3	100	38%	38	C 3	100	38%	38	C 3	100	38%	38	Environment is being moved onto more stable infrastructure. Performance issues have occurred during transition; however, the migration is reducing the risk of catastrophic failure
22	Disaster recovery	C 2	1000	38%	380	C 2	750	38%	285	C 2	750	38%	285	C 2	750	38%	285	The IT contract with Capita includes a comprehensive DR solution and critical systems have now been tested. Some recovery costs would be covered by insurance. The risk should reduce once the current transformation is complete.

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			£000	%	£000		£000	%	£000		£000	%	£000		£000	%	£000		
-		-	-																
	<u>POLICY/LEGISLATIVE / REGULATORY</u>	-	-																
23	New policy/legislation	B 2	1000	65%	650	B 2	5000	65%	3250	B 2	6000	65%	3900	B 2	6000	65%	3900	Generally changes have a long lead in time, but there are risks due to the extensive policy agenda of the new government and the speed of implementation of changes in some areas. A particular area of concern is welfare reform.	
	<u>SERVICE RISKS</u>																		
24	Safeguarding - recent high profile cases have resulted in a significant increase in referrals	B 3	1000	65%	650	B 3	1000	65%	650	B 3	1000	65%	650	B 3	1000	65%	650	Detailed plans put in place in Children's services including case reviews. There is a potential for significant costs in both Adults and Children	
-		-	-																
	<u>EMERGENCIES</u>	-	-																
25	Natural disaster, accident or terrorist incident costing £2m in total	E3	832	6%	50	E3	843	6%	51	E3	832	6%	50	E3	832	6%	50	The government has a scheme (the Bellwin scheme) that covers authorities for 85% of costs of a major disaster over a threshold (£626k in 2012-13). The risk to the Council is 100% of costs below the threshold and the 15% above it, so if the total cost of the incident was £2m the council would be liable for £832k.	

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			£000	%	£000		£000	%	£000		£000	%	£000		£000	%	£000	
26	Adverse weather conditions	D 3	400	17%	68	D 3	400	17%	68	D 3	400	17%	68	D 3	400	17%	68	There is some provision in the budget for seasonal work. This risk relates to exceptionally bad weather, which tends to be more frequent than previously.
	-	-	-															
	EFFICIENCY RISKS	-	-															
27	Non-achievement of allocated savings included in the budget	C 2	3,000	38%	1,140	C 2	3,000	38%	1140	C 2	200	38%	76	C 2	200	38%	76	The MTFS includes efficiency savings totalling £22m in 2013-14 and £14m in 2014-15. Progress will be carefully monitored.
28	Workforce risk of loss of permanent staff requiring more expensive interims due to adverse reaction to terms and conditions changes, public sector pay restraint and increasing stress as workforce reduces but demands increase	C 3	1,000	20%	200	C 3	1,000	20%	200		1,000	20%	200		1,000	20%	200	The impact of any problems is likely to be uneven given the different labour markets that apply within the Council. Problems being mitigated by the council's workforce strategy.
29	Transformation programme fails to deliver substantial contribution to the funding gap in years 3 and 4 of the MTFS									C 2	4,000	38%	1520	C 2	5,000	38%	1900	There will clearly need to be a fundamental transformation of public sector services, including those provided by the Council over the next few years. Having balanced the budget for the next 2 years the Council can devote itself to addressing this requirement.

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			£000	%	£000		£000	%	£000		£000	%	£000		£000	%	£000	
	<u>PARTNERSHIP / CONTRACTUAL RISKS</u>	-	-															
	-	-	-															
30	Breakdown of relationships with strategic partners (Health, Police, businesses, voluntary sector)	C 2	3,000	38%	1,140	C 2	4,000	38%	1520	C 2	4,000	38%	1520	C 2	4,000	38%	1520	The HSP governance arrangements have been revised. Good working relationships exist between partners. There are ongoing concerns about the PCT's financial position, but agreement was reached about liabilities for 2010-11. New potential liabilities have arisen during 2011-12 and identified as part of PCT action plans
31	Shared Services not meeting each of partner's aspirations	D 2	300	20%	60	D 2	300	20%	60		300	20%	60		300	20%	60	Harrow is developing partnerships with other boroughs for shared services such as Public Health and Legal Services. They are however not yet well established and it is possible they may not work as effectively as planned causing cost to the partners
32	Commercial Partnership failure (Capita, Apollo, May Gurney)	D 2	500	17%	170	D 2	500	17%	85	D 2	500	17%	85	D 2	500	17%	85	
	TOTAL		39,402		10,418		47,063		13587		48,752		13989		48,652		13929	
	Contingencies				-3,000				-5000				-5000				-5000	
	Remaining risk				7,418				8587				8989				8929	

