

Budget Risk Register 2014-15

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. Income from parking services
10. Changes to grant regime
11. Economic risk – capital receipts
12. Economic risk – demand for services
13. Litigation against the Council
14. Major Fraud
15. Increased Pension fund contributions
16. Levies, Precepts and Subscriptions
17. Financial control environment
18. Insurance claims
19. Demographic changes: additional demand for social care
20. System failure
21. Lack of disaster recovery capability
22. New policy/legislation
23. Adult Social Care reform
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 meeting partner aspirations
32. Commercial partnerships

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

Ref	Risks	Risk rating	2014-15			2015-16			2016-17			Mitigation/Comments		
			Worst case	Like - lihood	Net risk	Risk rating	Worst case	Like - lihood	Net risk	Risk rating	Worst case		Like - lihood	Net risk
			£000	%	£000		£000	%	£000		£000	%	£000	
	<u>POLITICAL RISKS</u>													
1	By-Election	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	D 3	950	17%	162	D 3	1500	17%	255	D 3	1500	17%	255	The 2014-15 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 pressures on spending in the public sector there is likely to continue to be downwards pressure on public sector pay in particular. The longer pay restraint continues the more likely there will be a rebound when the economy improves again.
3	Inflation - Prices	D 3	600	17%	102	D 3	600	17%	102	D 3	1000	17%	170	The budget assumes 1.3% for prices each year with an expectation that directorates will manage suppliers to keep within that. Inflation has been falling and at December 2013 CPI was 2.0%. There is some risk as a result of this. 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	D 3	200	17%	34	D 3	200	17%	34	D 3	200	17%	34	The 2014-15 budget reflects an allowance for an increase of 10% in energy prices. The market is however volatile.
			2014-15			2015-16			2016-17					
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			£000	%	£000		£000	%	£000		£000	%	£000	
10	Changes to grant regime	C 3	1,000	15%	150	C 3	3,000	15%	450	C 3	3,000	15%	450	The budget for 2014-15 reflects the local government settlement although a few grants have yet to be confirmed. Some grants are subject to change in year. There is more uncertainty from 2016-17 with no figures announced but the deficit reduction programme anticipated to continue.
11	Economic risk - capital receipts	B 3	0	40%	0	B 3	1,400	40%	560	B 3	1,400	40%	560	The MTFS assumes capital receipts of £12m in 2014-15 and 2015-16 and £2m p.a. subsequently. There is always some risk until completion however the market has improved in recent years. The risk is to the capital financing costs of the capital programme.
12	Economic risk - demand for services	B 3	750	65%	488	B 3	750	65%	488	B 3	750	65%	488	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.
13	Litigation against the Council	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
14	Major fraud	E 3	200	6%	12	E 3	200	6%	12	E 3	200	6%	12	No major cases in recent years.

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	<u>TECHNOLOGICAL RISKS</u>													
20	System failure	C 3	200	38%	76	C 3	200	38%	76	C 3	200	38%	76	Environment is being moved onto more stable infrastructure. Performance issues have occurred during transition; however, the migration is reducing the risk of catastrophic failure
21	Disaster recovery	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.
	<u>- POLICY/LEGISLATIVE / REGULATORY</u>													
22	New policy/legislation	B 2	1000	10%	100	B 2	6000	30%	1800	B 2	6000	30%	1800	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.
23	Adult Social Care Reform	C2	1000	25%	250	C2	3000	25%	750	C2	2000	25%	500	The Care bill currently going through Parliament proposes a number of significant changes to services which are provided to vulnerable residents of Harrow. This is likely to formalise support to Carers and self funders where the council will become responsible for contributing towards Care costs once the cap has been reached
	<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	Detailed plans put in place in Children's services including case reviews. There is a potential for significant costs in both Adults and Children

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			£000	%	£000		£000	%	£000		£000	%	£000	
30	Breakdown of relationships with strategic partners (Health, Police, businesses, voluntary sector)	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 CCG's financial position, which could be made worse by the legislative changes around the Better Care fund.
31	Shared Services not meeting each of partner's aspirations	D 2	300	20%	60	D2	300	20%	60	D2	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 (incl Capita, Appollo, May Gurney)	D 2	1,000	17%	170	D 2	1,000	17%	170	D 2	1,000	17%	170	
	TOTAL		41,547		9142		54,647		13042		53,747		12746	

Contingencies		-		-4171		-4171
Remaining risk		8142		8871		8575