## **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

	A Very High	Green	Orange	Red	Red
	B High	Green	Orange 11,12,24	Red 22	Red
	C Significa nt	Green	Orange 9,10,13, 20,28	Red 8,19,21, 23,27,30	Red
poor	D Low	Green 1	Green 2,3,4,15, 17,26	Orange 31,32	Orange
Likelihood	E Very Low	Green 16	Green 7,14,18, 25	Green	Orange
	F Almost Impossi ble	Green	Green 6	Green 5	Green
		4 Negligi ble	3 Marginal	2 Critical	1 Catastro phic
			lm	pact	

				2014-15				2015-16				2016-17		
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			£000	%	£000		£000	%	£000		£000	%	£000	
	POLITICAL RISKS													
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.
	ECONOMIC / FINANCIAL RISKS													
2	Inflation - Pay	D3	950	17%	162	D3	1500	17%	255	D3	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	D3	600	17%	102	D3	600	17%	102	D3	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	D3	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.
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			£000	%	£000		£000	%	£000		£000	%	£000	
5	Treasury Management - investments and borrowing	F 2	10000	2%	200	F 2	10000	2%	200	F 2	10000	2%	200	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	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. The School expansion programme will also reduce the backlog
7	Income collection: council tax, business rates, housing benefit overpayments, parking enforcement, sundry debtors, rents and service charges	E3	500	10%	50	E 3	750	10%	75	E3	750	10%	75	Collection performance has improved considerably in the last few years, and the bad debt provision is reviewed quarterly. Losses on Collection Fund items would impact the General Fund in the year after they were incurred
8	Welfare Reform		4,000	20%	800		4,000	20%	800		4,000	20%	800	There are a number of areas of potential risk. 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	Income from parking services and parking enforcement	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 recent years. There is some ongoing risk given the historic volatility of the service.

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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	В3	0	40%	0	В3	1,400	40%	560	В3	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	В3	750	65%	488	В3	750	65%	488	В3	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	C3	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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15	Increased Pension Fund contributions	D3	500	20%	100	D3	500	20%	100	D3	500	20%	100	The MTFS provides for an increase in employers contributions of 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. There will also be a requirement to fund pension fund strain on non ill health early retirements.
16	Levies, Precepts and Subscriptions	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 some of them to have in year financial problems requiring a supplementary levy.
17	Financial control environment	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 being implemented as part of the Finance Transformation will further mitigate risks.
18	Insurance claims	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.
	SOCIAL RISKS													
19	Demographic changes: additional demand for social care.	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

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	TECHNOLOGICAL RISKS													
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.
	POLICY/LEGISLATIVE / REGULATORY													
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
	SERVICE RISKS													
24	Safeguarding - recent high profile cases have resulted in a significant increase in referrals	В3	1000	65%	650	В3	1000	65%	650	В3	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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	EMERGENCIES													
25	Natural disaster, accident or terrorist incident costing £2m in total	E3	827	6%	50	E3	827	6%	50	E3	827	6%	50	The government has a scheme (the Bellwin scheme) that covers authorities for 85% of costs of a major disaster over a threshold (£620k in 2013-14). 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 £827k.
26	Adverse weather conditions	D 3	400	20%	80	D 3	400	20%	80	D 3	400	20%	80	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%	1140	C 2	500	38%	190	C 2	200	38%	76	The MTFS includes efficiency savings totalling £10m in 2014-15 and £1m in 2015-16. 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	С3	1,000	30%	300	СЗ	1,000	30%	300	С3	1,000	30%	300	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 2 and 3 of the MTFS					C 2	5,000	38%	1900	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.
	PARTNERSHIP / CONTRACTUAL RISKS													

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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
	1000		
Remaining risk	8142	8871	8575