## Budget Risk Register 2014-15

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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
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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
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31. Shared Services not meeting partner aspirations
32. Commercial partnerships

|  |  |  | 2014-15 |  |  |  | 2015-16 |  |  |  | 2016-17 |  |  | Mitigation/Comments |
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| Ref | Risks | Risk rating | Worst case $£ 000$ | Like lihood <br> \% | Net risk $£ 000$ | Risk rating | Worst case $£ 000$ | Like lihood \% | Net risk $£ 000$ | Risk rating | Worst case $£ 000$ | Like lihood <br> \% | Net risk $£ 000$ |  |
|  | 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 byelections. Worst case is based on two by-elections in one year. |
|  | ECONOMIC / FINANCIAL RISKS |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 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 |  |  |  |
| Ref | Risks | Risk rating | Worst case | Like lihood | Net risk | Risk rating | Worst case | Like lihood | Net risk | Risk rating | $\begin{aligned} & \text { Worst } \\ & \text { case } \end{aligned}$ | Like lihood | $\begin{aligned} & \hline \text { Net } \\ & \text { risk } \end{aligned}$ | Mitigation/Comments |


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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 | E 3 | 500 | 10\% | 50 | E 3 | 750 | 10\% | 75 | E 3 | 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 | 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 $£ 2 \mathrm{~m}$ 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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| 15 | Increased Pension Fund contributions | D 3 | 500 | 20\% | 100 | D 3 | 500 | 20\% | 100 | D 3 | 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. |
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|  | 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 I 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 | 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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|  | EMERGENCIES |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 25 | Natural disaster, accident or terrorist incident costing $£ 2 \mathrm{~m}$ 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 ( $£ 620 \mathrm{k}$ 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 $£ 2 \mathrm{~m}$ the council would be liable for $£ 827 \mathrm{k}$. |
| 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 $£ 10 \mathrm{~m}$ in 2014-15 and $£ 1 \mathrm{~m}$ 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 | C 3 | 1,000 | 30\% | 300 | C3 | 1,000 | 30\% | 300 | C3 | 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 |  |  |  |  |  |  |  |  |  |  |  |  |  |



