

Budget Risk Assessment

- 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 – demand for services
- 12. Litigation against the Council
- 13. Major Fraud
- 14. Increased Pension fund contributions
- 15. Levies, Precepts and Subscriptions
- 16. Financial control environment
- 17. Insurance claims
- 18. Demographic changes: additional demand for social care
- 19. System failure
- 20. Disaster recovery
- 21. New policy/legislation
- 22. Adult Social Care reform
- 23. Safeguarding
- 24. Natural disaster /accident/terrorist incident
- 25. Adverse weather conditions
- 26. Non achievement of savings
- 27. Workforce –loss of permanent staff
- 28. Budget Savings Programme
- 29. Breakdown of relationships - Strategic partnerships
- 30. Shared Services not meeting partner aspirations
- 31. Commercial partnerships

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

Risk Register 2015-16 to 2018-19

Ref	Risks	Risk rating	2015-16			Risk rating	2016-17			Risk rating	2017-18			Risk rating	2018-19			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	
POLITICAL RISKS																		
1	By-Election	C 4	105	50%	53	C 4	105	50%	53	C 4	105	50%	53	C 4	105	50%	53	There is provision in the budget for the scheduled elections but not by-elections. Worst case is based on three by-elections in one year.
ECONOMIC / FINANCIAL RISKS																		
2	Inflation - Pay	D 4	100	17%	17	D 3	1,000	30%	300	D 3	1,200	30%	360	D 3	1,500	40%	600	The 2015-16 budget reflects the 2.2% award agreed from Jan 2015 to Mar 2016. From 2016-17 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 higher increases. Given the current pressures on spending in the public sector and that the government has signalled the continuation of public sector pay restraint, 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 pay levels generally start to increase again.
3	Inflation - Prices	D 3	1,500	17%	255	D 3	1,500	17%	255	D 3	1,500	17%	255	D 3	1,500	17%	255	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 2014 CPI was 0.5%. There is still some risk as the items that the Council spends on are not necessarily the same as those covered by the index and prices and prices for services have been rising somewhat faster. 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. At this stage the medium term outlook for inflation is unclear.
4	Inflation - utilities	D 4	200	17%	34	D 4	200	17%	34	D 4	200	17%	34	D 4	200	17%	34	The 2015-16 budget reflects an allowance for an increase of 10% in energy prices. While energy costs have been reducing recently, the market is volatile and dependent on international events.

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5	Treasury Management - investments and borrowing	F 2	10,000	2%	200	F 2	10,000	2%	200	F 2	10,000	2%	200	F 2	10,000	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	1,500	10%	150	F 3	1,500	10%	150	F 3	1,500	10%	150	F 3	1,500	10%	150	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, sundry debtors, rents and service charges	D 3	1,000	30%	300	D 3	1,250	30%	375	D 3	1,500	30%	450	D 3	1,750	30%	525	Collection performance has held up well since the introduction of Council Tax Support, and the bad debt provision is reviewed quarterly. There is an increased risk to the council as a result of Business Rate Retention if rateable value. Losses on Collection Fund items would impact the General Fund in the year after they were incurred
8	Welfare Reform	C 3	4,000	30%	1,200	C 3	4,000	30%	1,200	C 3	4,000	30%	1,200	C 3	4,000	30%	1,200	There are a number of areas of potential risk. Council Tax Collection has held up relatively well so far but might possibly worsen as further Welfare reforms impact low income households in the borough. Homelessness has started to increase and further increases are possible. Financially stressed clients may have increased Social Care interactions etc. Collection methods are being adapted to mitigate impacts and the Harrow HELP fund does mitigate this but there is a potential for increased costs and loss of income.
9	Income from parking services and parking enforcement	C 3	1,500	50%	750	C 3	1,500	50%	750	C 3	1,500	50%	750	C 3	1,500	50%	750	The Government's proposal to prohibit the use of CCTV cameras for parking enforcement and to introduce 'Grace' periods to allow motorists to return to their vehicles late and not immediately incur a penalty, will have an adverse impact on parking income. It is uncertain at this stage when this will come into effect. Mitigating actions are being formulated to prepare for the change. In addition, there is some ongoing risk given the historic volatility of the income.

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10	Waste Disposal costs	C3	150	30%	45	C3	150	30%	45	C3	150	30%	45	C3	150	30%	45	Significant pricing fluctuation on dry recycling waste disposal has been experienced in the last couple of years (it changed from an income of circa £40 per tonne to a cost of £2 per tonne). It is anticipated the market condition for materials will remain sluggish and therefore the council may incur additional costs. A small fluctuation on residual waste tonnage could lead to significant cost increase. A 2% increase in tonnage would result in £100K additional costs. The tonnage forecast has taken into account the waste growth, however there is a risk the growth exceeds the forecast.
11	Economic risk - demand for services	B 3	750	65%	488	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.
12	Litigation against the Council	C 3	2,600	38%	988	C 3	2,000	38%	760	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
13	Major fraud	E 3	500	6%	30	E 3	500	6%	30	E 3	500	6%	30	E 3	500	6%	30	No major cases in recent years.
14	Increased Pension Fund contributions	D3	400	20%	80	D 3	600	20%	120	D 3	700	20%	140	D 3	800	20%	160	The MTFS provides for increase in employers contributions as agreed with the actuary. 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. If numbers of fund members decrease then this will also increase the percentage contribution required to fund the deficit on the fund. There will also a requirement to fund any pension fund strain on non ill health early retirements.

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15	Levies, Precepts and Subscriptions	E4	600	6%	36	E4	1,000	30%	300	E4	1,000	30%	300	E4	1,000	30%	300	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.
16	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 being made currently to financial processes will further mitigate risks.
17	Insurance claims	E 3	500	6%	30	E 3	500	6%	30	E 3	500	6%	30	E 3	500	6%	30	An actuarial review is carried out at regular intervals, the annual contribution has been increased in recent years and the balance in the provision reflects the claims liability. MMI has gone into administration, however this has largely been provided for already.
	<u>SOCIAL RISKS</u>																	
18	Demographic changes: additional demand for social care.	C 2	2,000	40%	800	C 2	2,000	40%	800	C 2	2,000	40%	800	C 2	2,000	40%	800	The MTFs reflects anticipated demand for social care for both Children and Adults. However, small fluctuations can generate considerable cost. There continues to be the potential for Health funded continuing care cases to become Harrow's responsibility.
	<u>TECHNOLOGICAL RISKS</u>																	
19	System failure	D 3	200	38%	76	D 3	200	38%	76	D 3	200	38%	76	D 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
20	Disaster recovery	C 2	600	1%	6	C 2	600	1%	6	C 2	600	1%	6	C 2	600	1%	6	The IT contract with the council's partner includes a comprehensive DR solution. The worst case represents the loss after allowing for insurance cover.
	<u>POLICY/LEGISLATIVE / REGULATORY</u>																	

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21	New policy/legislation	B 2	1,000	10%	100	B 2	6,000	30%	1,800	B 2	6,000	30%	1,800	B 2	6,000	30%	1,800	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.
22	Adult Social Care Reform	C2	1,000	25%	250	C2	3,000	25%	750	C2	2,000	25%	500	C2	2,000	25%	500	The Care Act became law in May 2014 and will come into force in April 2015. The Act creates a single route to establishing entitlement to care and support for all adults with needs for care and support. For the first time carers will be recognised in the law in the same way as those they care for. The Act sets out a clearer approach to charging and financial assessment and requires the Council to have a Deferred Payments Policy so that service users are not forced to sell their home to pay for their care. New burdens funding has been provided for 2015/16 however, it is not yet clear if this will be sufficient to fund the additional responsibilities placed on the Council. Further reforms are expected, subject to legislation, from April 2016 making the Council responsible for care costs once a cap has been reached.
<u>SERVICE RISKS</u>																		
23	Safeguarding - recent high profile cases have resulted in a significant increase in referrals	B 3	1,000	65%	650	B 3	1,000	65%	650	B 3	1,000	65%	650	B 3	1,000	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 particularly in relation to Deprivation of Liberty Standards
<u>EMERGENCIES</u>																		
24	Natural disaster, accident or terrorist incident costing £4m in total.	E3	3,000	15%	450	E3	3,000	15%	450	E3	3,000	15%	450	E3	3,000	15%	450	The government has a scheme (the Bellwin scheme) that covers authorities for 85% of eligible costs of a major disaster over a threshold (£620k in 2014-15). This is due to increase to 100% above the threshold in 2015-16. The risk to the Council is currently 100% of costs below the threshold together with any costs that are not eligible.

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25	Adverse weather conditions	D 3	400	20%	80	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.
	<u>EFFICIENCY RISKS</u>																	
26	Non-achievement of allocated savings included in the budget	C 2	3,000	40%	1,200	C 2	500	40%	200	C 2	200	40%	80	C 2	200	40%	80	The MTFS includes efficiency savings totalling £17m in 2015-16. Progress will be carefully monitored.
27	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	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.
28	Budget savings programme fails to deliver substantial contribution to the funding gap in years 2 and 3 of the MTFS					C 2	5,000	38%	1,900	C 2	5,000	38%	1,900	C 2	5,000	38%	1,900	There will clearly need to be a fundamental transformation of public sector services, including those provided by the Council over the next few years.
	<u>PARTNERSHIP / CONTRACTUAL RISKS</u>																	
29	Breakdown of relationships with strategic partners (Health, Police, businesses, voluntary sector)	C 2	4,000	38%	1,520	C 2	4,000	38%	1,520	C 2	4,000	38%	1,520	C 2	4,000	38%	1,520	The HSP governance arrangements have been revised. Good working relationships exist between partners. There are ongoing concerns about the CCG's financial position, particularly given the level of savings that they are expected to deliver together with the pressures in the acute sector and wider integration agenda.
30	Shared Services not meeting each of partner's aspirations	D 3	300	20%	60	D 3	300	20%	60	D 3	300	20%	60	D 3	300	20%	60	Harrow is developing partnerships with other boroughs for shared services such as Public Health and Legal Services. Governance arrangements exist to identify and resolve any issues should these arise, however these as these arrangements are fairly new there is the potential that they may not work as effectively as planned causing cost to the partners.

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31	Commercial Partnership failure	D 2	2,000	20%	400	D 2	2,000	20%	400	D 2	2,000	20%	400	D 2	2,000	20%	400	There is a potential for either contractual problems with partners or failure of commercial partners to cause the council to incur additional costs.
	TOTAL		45,905		10,718		56,555		14,252		55,805		14,037		56,455		14,372	
	Contingencies				-1,248				-4,248				-4,248				-4,248	
	Remaining risk				9,470				10,004				9,789				10,124	