

Risk Register 2016-17 to 2018-19

Appendix 8

Ref	Risks	Risk rating	2016-17			2017-18			2018-19			Mitigation/Comments		
			Worst case £000	Like - lihood %	Net risk £000	Risk rating	Worst case £000	Like - lihood %	Net risk £000	Risk rating	Worst case £000		Like - lihood %	Net risk £000
<u>POLITICAL RISKS</u>														
1	By-Election	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.
<u>ECONOMIC / FINANCIAL RISKS</u>														
2	Inflation - Pay	D 4	100	17%	17	D4	200	30%	60	D 3	1,200	30%	360	Pay inflation is assumed to be 1% p.a. pay award in line with government pay policy, and an allowance for the impact of National Living Wage on the lowest paid staff. There is some risk as general inflation is running at a higher level and there is pressure from the Trade Unions for higher increases. A 2-year pay deal has been agreed with the Trade Unions at just over 1% p.a. 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. However, the longer pay restraint continues the more likely there will be a rebound when pay levels generally start to increase again.

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3	Inflation - Prices	D 3	1,270	17%	216	D 3	1,500	17%	255	D 3	500	17%	85	The budget assumes no prices inflation for 2016/17 and 2017/18 and 1.3% in 2018/19. There is an expectation that directorates will manage suppliers to keep within that. Inflation has been low for some time and at December 2015 CPI was 0.1%. 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.
3	Inflation National Living Wage	C3	900	70%	630	C3	1,300	70%	910	C3	1,300	70%	910	The impact of the new National Living Wage is likely to be limited in relation to directly employed staff. There may however be a more significant impact on contracts where staff are paid at the National Minimum Wage. This is particularly likely to be the case in relation to Adult Social Care and to a lesser extent, Children's Social Care.
4	Inflation - utilities	D 4	200	17%	34	D 4	200	17%	34	D 4	200	17%	34	The 2016-17 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.
5	Treasury Management - investments and borrowing	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.

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6	Asset management.	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 is also reducing the backlog
7	Income collection: council tax, business rates, housing benefit overpayments, sundry debtors, rents and service charges	D 3	500	30%	150	D 3	750	30%	225	D 3	1,000	30%	300	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 values decrease but this is considered as part of the budget setting process. Losses on Collection Fund items would impact the General Fund in the year after they were incurred.
8	Welfare Reform	D3	750	30%	225	D3	750	30%	225	D3	750	30%	225	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 increased 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.

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9	Homelessness - risk of continued growth in demand for service not being met by existing supply of affordable properties.	B2	3,500	80%	2,800	B2	3,500	80%	2,800	B2	4,000	80%	3,200	The service has experienced a sustained growth in demand over the past two years, and there does not currently appear to be any sign that demand is likely to reduce in the near future, suggesting that there is likely to be pressure on Homelessness budgets for at least the next two years. The Council is intensifying its efforts to procure more properties from the market, but local landlords are increasingly seeking higher levels of rent than can be met lower income families, even in-work families. The Council is purchasing some properties on the open market to try to help ease the pressure on the budget, and in undertaking a programme of new build within the Housing Revenue Account, but these are expected to at best slow down the growth in demand for the service. The longer term prospects are likely to be improved once the Council's Private Rented Sector new build programme and the Housing Zone construction projects get under way in earnest, but this is unlikely to make a significant contribution until around 2018 onwards.
10	Income from parking services and parking enforcement	C 3	700	50%	350	C 3	700	50%	350	C 3	700	50%	350	In April 15, the Government introduced the prohibition on the use of CCTV cameras for parking enforcement and introduced 'Grace' periods to allow motorists to return to their vehicles late and not immediately incur a penalty. Mitigations have since been put in place to minimise the adverse impact on parking income. Although no adverse impact is experienced this year, PCN income is highly volatile and the achievement of the income budget (£8m in 16/17) is subject to a number of factors such as footfall, motorists compliance, weather condition etc.

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11	Waste Disposal costs	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.
12	Income from garden waste collection service	C3	300	30%	90	C3	300	30%	90	C3	300	30%	90	The latest financial model assumes an annual income of £1m from the 2 options of garden waste collection service (35% participation rate collectively). A 5% less on the participation rate will reduce the income by £150k. Subscription to the garden waste service started on 4th Jan 16, it is uncertain at this stage the level of participation will be. It is however anticipated that the participation rate will go up over time, reducing the risk of income target not being achieved in future years.
13	Economic risk - demand for services	B 3	1,000	65%	650	B 3	1,000	65%	650	B 3	1,000	65%	650	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.

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14	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
15	Major fraud	E 3	500	6%	30	E 3	500	6%	30	E 3	500	6%	30	No major cases in recent years.
16	Increased Pension Fund contributions	D3	400	20%	80	D 3	600	20%	120	D 3	700	20%	140	The MTFS provides for increases 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. There will also a requirement to fund any pension fund strain on non ill health early retirements.
17	Levies, Precepts and Subscriptions	E4	600	6%	36	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.
18	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 made currently to financial processes will further mitigate risks.
19	Insurance claims	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.

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	<u>SOCIAL RISKS</u>													
20	Demographic changes: additional demand for social care.	C 2	2,000	50%	1,000	C 2	2,000	50%	1,000	C 2	2,000	50%	1,000	The MTFS reflects some anticipated increase in 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>													
21	System failure	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
22	Disaster recovery	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>													
23	New policy/legislation	B 2	1,000	10%	100	B 2	5,000	30%	1,500	B 2	5,000	30%	1,500	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.

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24	Adult Social Care Reform	C2	1,000	25%	250	C2	2,000	25%	500	C2	2,000	25%	500	The Care Act came 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. New burdens funding was allocated by way of specific grant in 2015/16, and mitigated increased ASC costs largely in relation to Ordinary Residence. From April 2016 this funding has been rolled up into RSG in 16/17. Further reforms had been expected from April 2016 making the Council responsible for care costs once a cap had been reached, although these have currently been delayed until 2020.
<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	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	1,000	15%	150	E3	1,000	15%	150	E3	1,000	15%	150	The government has a scheme (the Bellwin scheme) that covers authorities for 100% of eligible costs of a major disaster over a threshold of 0.2% of budgeted net revenue expenditure (£349k in 2015-16). The risk to the Council is 100% of costs below the threshold together with any costs that are not eligible.
25	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.
<u>EFFICIENCY RISKS</u>														

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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	The MTFS includes efficiency savings totalling £16.7m in 2016-17. 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	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.
	<u>PARTNERSHIP / CONTRACTUAL RISKS</u>													
28	Breakdown of relationships with strategic partners (Health, Police, businesses, voluntary sector)	C 2	2,500	38%	950	C 2	2,500	38%	950	C 2	2,500	38%	950	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.
29	Shared Services not meeting each of partner's aspirations	D 3	1,000	20%	200	D 3	1,000	20%	200	D 3	1,000	20%	200	Harrow is developing partnerships with other boroughs for shared services such as Public Health, HR 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.
30	Commercial Partnership failure	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		43,275		12,306		46,755		13,469		47,305		13,974	
	Reserves													
	Contingencies				-2,248				-2,248				-2,248	General contingency + Provision for homelessness

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	Remaining risk				10,058				11,221				11,726	