

Budget Risks Matrix – further information for Full Council



Budget Risks Matrix

Provision to be made where total score is 10 or above, as per Corporate Risk Register Analysis

Risks associated with the delivery of material Revenue projects

Theme / Ref	Key Risk	Additional Details	Impact	Likelihood	Score	Management of Risks / Provision to Manage	Financial Mitigation	Min	Max	Req'd
D01	Inability to deliver planned savings	In year overspend from 2016/17 savings not delivered, and remain undelivered in 17/18	2 - Significant (£0.5m to £5m)	5 - Likely	10	Known non-delivery of savings from 2016/17 has been built into 2017/18 base budget. To be monitored through normal budget monitoring through year.	Y		4,100	2,000
		Planned Savings 2017/18	Amounts below are those within scope of relevant RAG rating - would not expect non-delivery of this total amount - could anticipate partial non-delivery			Transformation programme; regular & robust monitoring; As part of annual budget process a risk assessment of each saving proposal has been undertaken . All proposals have been RAG assessed, with the totals as below:				
			4 - Catastrophic (£10m + all in scope savings)	2 - Unlikely	8	a) Green rated as deliverable	N		-	-
			3 - Critical (£5m to £10m - depending on value)	4 - Probable	12	b) Amber rated (as at 110117)	Y	-	8,422	3,000
			2 - Significant (£0.5m to £5m)	5 - Likely	10	c) ADD RED ITEMS IF STILL IN (as at 110117)	Y	-	1,550	1,000
		Failure to generate additional budgeted income	2 - Significant (included in the planned savings element above)	4 - Probable	8	Regular and Robust monitoring & as part of the annual budget process a risk assessment has been undertaken for each budget proposal.	N			
D02	The deliverability of services within the baseline level of available resources	In year overspend particularly in areas where the majority of expenditure is demand-led in nature e.g. social care services, concessionary bus fares	3 - Critical (based on potential with social care £5m to £10m - but budget has been put back in	5 - Likely (based on past experience)	15	Growth or provision for increased demand in services has been built into budget, but there is a risk that this will not be sufficient.	Y		2,000	2,000
D03	Organisational Restructuring	Redundancy and pension strain costs. Impact on overall employee numbers and staff release costs associated with the savings propositions & transformation programme. It is not possible to assess the adequacy of provisions with certainty at this stage as the work-streams are not at an advanced enough stage to quantify the timing and magnitude of the total funding requirement.	3 - Critical (£5m to £10m)	4 - Probable	12	Reserve provision to be made, and use of capital receipt flexibilities to fund transformational costs - this will mitigate specific need for call on GF General provisions (see D04 below)	Y	5,000	10,000	7,500

Risks associated with the delivery of material Revenue projects							Y / N	£000's	£000's	£000's
Theme / Ref	Key Risk	Additional Details	Impact	Likelihood	Score	Management of Risks / Provision to Manage	Financial Mitigation	Min	Max	Req'd
D04	Future Shape Transformation programme (see also O04 - only include risk assessment once)	Adequately resourced in order to deliver the transformation required - failure to resource may result in inability to deliver savings	2 - Significant (£0.5m to £5m)	4 - Probable	8	Provision has been assumed within the Budget for 2017/18, to fund transformational costs from capital receipts, as per latest flexibilities (£6m potentially available in 17/18)	N			
		Mitigation is to fund transformation from Capital Receipt flexibilities - risk that capital receipts will not achieve forecast levels in 2017/18 and will reduce funding available for transformational activity	2 - Significant (£0.5m to £5m)	4 - Probable	8	Sales of assets to generate capital receipts to be subject to robust and regular budget monitoring and reported. Monitor level of sales in scope	N			
D05	Reserves utilisation 2016/17	Insufficient recovery / delivery spending freeze requires greater than anticipated draw down from reserves. Reduces reserves available to fund transformational costs etc.	3 - Critical (£5m to £10m, depending on spending freeze, deferred liability etc.)	4 - Probable	12	Ongoing close management of spend in 16/17 and progression of other mitigating actions	Y		10,000	10,000
D06	Identified service specific risks tbc if fully captured					growth assumed in LTFP services to take mitigating action				
								5,000	36,072	25,500

Provision to be made where total score is 10 or above, as per Corporate Risk Register Analysis										
Theme / Ref	Key Risk	Additional Details	Impact	Likelihood	Score	Management of Risks / Provision to Manage	Financial Mitigation	Min	Max	Req'd
On-going risks										
001	Financial Settlements and wider fiscal policy changes	The risk that due to the economic conditions, there are likely to be further real terms reductions in levels of government funding. Provision settlement has been published for 17/18, however final settlement delayed - immediate risks re the new pooling arrangements and general longterm risk evident.	2 - Significant (£0.5m to £5m)	2017/18: 5 - Likely (provisional settlement issued) 2018/19: 5 - Likely	2017/18: 10 & 2018/19: 10	Long-Term Financial Planning (10 year model); Regular monitoring of public expenditure projections and recognise potential or actual grant variations in LTFFP: 3 year financial settlement	2017/18: Y 2018/19: Y	0.500	5,000	2,500
002	Loss of income	Risks related to the following assumptions on the level of income that will be generated for services incorrect : (i) demand for chargeable services and (ii) the ability to collect all income due (iii) Forecast dividends (iv) ability of existing services to continue to generate income e.g. Trading with Schools in new environments (academies).	2 - Significant (£0.5m to £5m)(some under recovery in some areas, but significant over recovery in other areas)	4 - Probable	8	Service level agreements with external users with a tapered approach or notice period if withdrawal is proposed , centralisation of the Council's corporate debt management to improve debt recovery and regular monitoring.	N			
003	Demand for Services (NB: include to extent it is over and above already in D02 above)	Increased demand on services which can lead to departmental overspends - over and above forecast levels; resulting from:				Growth has been built into 2017/18 budget and ongoing MTFP				
		(1) Demographic Changes (over and above that which has been forecast); and	2 - Significant (£0.5m to £5m, to extent that it has not been forecast)	4 - Probable	8	Long-Term Financial Plan and ongoing monitoring of impacts	Y			
		(2) Social / Environmental Changes ; including Welfare Reforms	2 - Significant (£0.5m to £5m)	4 - Probable	8	There are risks that service users will suffer financial hardship which may impact on housing, health and general welfare resulting in greater need for emergency intervention from Council services; Long-Term Financial Plan and ongoing monitoring of impact	N			

Theme / Ref	Key Risk	Additional Details	Impact	Likelihood	Score	Management of Risks / Provision to Manage	Financial Mitigation	Min	Max	Req'd
On-going risks										
004	Inflation	Corresponding provision has therefore been made across all key areas of expenditure, based on available economic forecasts and other relevant factors. Particularly in the case of contractually-committed sums and negotiated settlements, however, there is a risk that this level of provision is insufficient; potential impact of BREXIT on	2 - Significant (£0.5m to £5m)	4 - Probable	8	Inflation has been built into the model based on latest Office Budget Responsibility estimates, which are intended to reflect potential impact of BREXIT, keep monitored and updating Long Term Financial Models	N			
005	Interest Rates	An increase in interest rates could impact on borrowing costs, which may in part be offset by increased investment interest receipts	2 - Significant (£0.5m to £5m)	4 - Probable	8	The Treasury team in conjunction with treasury advisors monitors the position to mitigate the impact on the Council	N			
005	Major Incident or large scale emergency – unbudgeted expenditure	Uninsured losses from hard to predict events – for example, storms, floods, terrorism. Relief under the Emergency Financial Assistance scheme is payable only when expenditure exceeds a threshold of 0.2% of the Council's budget requirement and will only fund 85% of emergency expenditure above the threshold. The risk relates to the following:								
		(i) Council required to meet up to 0.2% within the overall level of resources available to the Council (e.g. from Reserves)(Min & Max are calculated on range of unexpected costs of £1m to £25m)	2 - Significant (£0.5m to £5m, see sheet on Major Incident calc)	3 - Possible	6	0.2% of net Budget requirement of £361.8m = £725k	overridden good practice to ensure this provision			725
		(ii) Council requiring to meet the costs for large-scale emergencies for which claims are made under the Bellwin scheme and the ability to manage this within the overall level of resources available to the Council	2 - Significant (£0.5m to £5m, see sheet on Major Incident calc)	2 - Unlikely	4		N			
		(ii) Significant event involving the City's major structural infrastructure	4 - Catastrophic (£10m e.g. bridge collapse/failure)	3 - Possible	12	Ensure maintenance programmes are managed and prioritised, ensure regular inspection of major infrastructure	Y			500

Theme / Ref	Key Risk	Additional Details	Impact	Likelihood	Score	Management of Risks / Provision to Manage	Financial Mitigation	Min	Max	Req'd
On-going risks										
006	Asset Management / Infrastructure	Insufficient resources to maintain adequately the Council's existing and planned infrastructure ; Repair or replacement of assets – for example, buildings, highways infrastructure	2 - Significant (£0.5m to £5m - in part reflected above)	4 - Probable	8	Members of the Senior Leadership Team (SLT) have considered where any additional service investment within the budget framework might be best directed and, at this stage, identified urgent property repairs and maintenance as the key priority.	N			
007	Capital receipts (see Also D04)	Reduced capital receipts and planning related income. Realisation of capital receipts in line with amounts assumed in the capital investment programme and change / transformation programme.	2 - Significant (£0.5m to £5m - based on forecast receipts of £6m)	5 - Likely	10	Regular monitoring and reporting of capital receipts delivery, and activity against sales programme	Y	-	2,000	1,000
		(i) ability to afford and deliver the full capital programme if these do not materialise,	(above)							
		(ii) ability to contribute to the Strategic transformation / change programme and offset staff release costs associated with the programme.	(above)							
008	Legal Claims	There is a risk of compensation claims arising as a result of specific events and emerging issues	2 - Significant (>£0.5m can be significant)	4 - Probable	8	Ensure sufficiently resource to protect BCC position and access to appropriate advice / advisors	overridden good practice to ensure this provision	500	1,000	750
		Uninsured legal liabilities – for example, Employment Tribunals, judicial reviews								
009	Self Insurance	The risk of claims to the council not being covered by the Council's insurance policies - if the level of claims increase substantially against historic trends, this would increase amounts potentially payable by the Council.	1 - Marginal (upto £0.5m - based on current excess levels)	5 - Likely (because claims do happen at regular intervals)	5	Current Policies have limited excess on Liability Cover, which manages exposure to cost. Policies currently being tendered. Active management of insurance risks to reduce potential claims in first instance; management of insurance claims when received. Monitoring of claims trends.	N			
010	Counterparty Failure	Parties may fail to pay amounts back to the Council and therefore impact on revenue budget e.g. investment deposits	4 - Catastrophic (£10m + due to investment limits on MM Funds)	2 - Unlikely	8	Risk is managed through application of TM Strategy - regularly reported through cabinet; use of external advisors; use of high rated counter-parties	N	-	-	-

Theme / Ref	Key Risk	Additional Details	Impact	Likelihood	Score	Management of Risks / Provision to Manage	Financial Mitigation	Min	Max	Req'd
On-going risks										
O11	Long-term contract costs / PFI's companies	Schools PFI Sinking Fund – requirement to establish a fund to ensure the ability to meet ongoing contractual liabilities to the term of the contract.	2 - Significant (£0.5m to £5m - element already included within 17/18 budget provision)	4 - Probable	8	Invest to save resource; work with Schools, DSG, and Lep to agree a sustainable solution; reflect within LTFF	N			
O12	National Minimum Wage	Potential additional cost of contracts to the Council. In addition, increased likelihood of social care provider failure due to National Living Wage and pressure on public sector budgets. Cost on Council Staff budgets	2 - Significant (£0.5m to £5m - element already included within 17/18 budget provision)	4 - Probable	8	Growth modelling for social care budgets includes provision for inflation and additional cost of National Living Wage. BCC already pays Living Wage. Impact on other contracts e.g. Waste; Highways; Cleaning should also be considered and as the payment increases price differentials planned for	N			
O13	Apprenticeship Levy	New national policy requirement for organisations. BCC levy includes maintained schools on our payroll, risk that they cannot fund the levy.	1 - Marginal (upto £0.5m - based on total levy already built into budget c£900k)	4 - Probable	4	Provision has been built into the MTFP for BCC element	N			
O14	Council Tax Base Growth Assumption	The growth assumption is different to that built into MTFP. For 2017/18 budget, is as per Council Tax Base Claim, future years pay be different.	2 - Significant (£0.5m to £5m - already reflected in 17/18 budget	3 - Possible	6	2017/18 budget is based on latest CTB1 claim - therefore suggest inclusion from 18/19 onwards	N			
O15	Non-Recovery of Council Debt (Council Tax, Business Rates and sundry debt	Non-delivery and low collection rates impacts the income collected and increases the bad debt provisions that the Council will be required to maintain. This has direct impact on General Fund.	2 - Significant (£0.5m to £5m)	3 - Possible	6	Regular monitoring of debt collection, and collection rates. Centralisation of debt recovery to create resource and single team approach	N			
O16	Extreme Weather Pressures	Weather related operational pressures; Snow, Ice, Sun, Storm, flood - Highways, Coroners etc	2 - Significant (£0.5m to £5m - already reflected in 17/18 budget	3 - Possible	6	Monitor and call down if pressure can not be contained	N			
						TOTAL		501	8,000	5,475

[illegible]

Theme / Ref	Key Risk	Additional Details	Impact	Likelihood	Score	Management of Risks / Provision to Manage	Financial Mitigation	Min	Max	Req'd
Emerging risks										
E05	Volatility of Business Rates Income	Business Rates Pilot Scheme & move towards 100% business rates retention (i)Final details awaited from Government; (ii) incorrect growth projections; (iii) appeals, revaluations or changing in rating lists (iv) impact of extended enterprise zone; (V)new burdens not factored into the forecast	3 - Critical (£5m to £10m - level of potential appeals, movement of assets within lists, over optimistic forecast with new burdens not factored etc.)	5 - Possible - 2 yr. pilot - full details & risks To be ascertained; appeals system currently under review nationally	15	Assurance work provided by Technical work stream of the WoE Business Rates Pooling Board. BCC Scenario modelling; Prudent approach incorporated in the forecast ; Regular monitoring and reporting. Potential for growth to offset loss of income through appeals	Y	1,000	5,000	1,275
		(ii) Appeals process and volatility of income as a result	See above - included as one risk amount							
E06	Service Specific Risks (to be managed within directorates)					Services to take mitigating action and manage in year to cash limit	N			
		(i) funding pressures on the whole care pathway, including the NHS and social care				Health & Social care integration	N			
		(ii) Increased risk of schools facing financial difficulty as a result of funding formula changes	1 - marginal - increase in number of licensed deficits	3 - possible for a small number;	3	Early warning processes to be developed; review school balances and identify those below % guide, consider clustered support and sharing of services	N			
E07	ICT Transformation / Investment	The ICT Investment programme not broad enough to cover critical improvements	2 - Significant (>£0.5m can be significant)	3 - possible for a small number;	6	IT strategy to be developed with sufficient engagement; capital funds target areas of most need	N			
						TOTAL		1,000	17,000	12,275
			Total General, Strategic & Risks					6,501	61,072	43,250
Definitions of the provision identified in the table above table by which risk will be managed										
Asset Management Plans – will require to be addressed through asset management plans.										
Earmarked provision – the Council has set monies aside in an earmarked reserve or other provision to meet the estimated costs.										
Mitigating Action – Strategic Directors / Directors to identify alternative measures to manage risks within available resources										
Long-Term Financial Plan – provision in the Long-Term Financial Plan										
Unallocated Reserve – Council would require drawing funding down from the unallocated General Fund balance to meet costs										