

Risk Factors 2016/17 (this was Appendix A to the Risks and Assumptions report to Finance Advisory Committee on 25/1/16)

Issue	£ Scale	Likelihood 1 (low) - 5 (high)	Impact 1 (low) - 5 (high)	Total Score	Potential Annual Impact and Sensitivity Analysis	Risk Areas	Controls and Actions in place	Cash impact of 1% change in budgetted expenditure or income
Pay Costs	£14m total costs	1	4	4	1% pay increase = £140k. Budget assumptions: 1.0% pay award from 2016/17 to 19/20.	Largest single item of cost. Complex drivers across the organisation.	Pay settlement pending for 2016/17. Strict monitoring of both financials and staff numbers. New salary bands introduced from 1 April 2012 which reduced the costs of annual increments. Formal sickness & overtime monitoring. Separate control on agency staff. Part of National Agreement.	£140k
Pensions Funding	£25m deficit	1	3	3	1% change in employers contribs = £115k.	Deficit on County Fund. Future actuarial results. Government review.	£0.3m included in 10-year budget in 2017/18 to contribute towards any increase at the next triennial revaluation.	£115k
Major Service Income areas					See below by income type	Income subject to local economic conditions. Some very large single-source income targets (see below).	Strict monitoring, with trend analysis.	
- Land Charges	£0.2m	4	1	4	10% reduction would be £19k.	Volatile activity levels in the housing market. Potential for changes in Land Charges following the Infrastructure Act.	Continue to monitor.	£2k

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- Development Control	£0.7m	3	3	9	10% reduction would be £72k.	Volatile activity levels in the housing market and general economic conditions. Fluctuations in income with major applications	Current year income is above target. Continue to monitor.	£7k
- Building Control	£0.5m	3	3	9	10% reduction would be £49k	Volatile activity levels in the housing market and general economic conditions. Competition from commercial organisations	Current year income is below target. Continue to monitor.	£5k
- Car Parks	£2.1m	1	4	4	10% reduction would be £216k	General economic conditions; central government directives	Current year income is ahead of target. Continue to monitor.	£21.6k
- On-Street Parking	£0.7m	1	3	3	10% reduction would be £73k	General economic conditions. Legislative constraints on spending surpluses. Reverts to KCC control	Current year is above target. Continue to monitor and review.	£14.3k
- Car Parking - Enforcement income	£0.2m	1	2	2	10% reduction would be £15k	General economic conditions; central government directives	Current year is ahead of 14/15 income at similar time of year. Continue to monitor and review	£3.1k
Partnership working and partner contributions	£0.6m	3	2	6	Impact on individual projects is high. (As reported to Legal and Democratic AC in Oct 2015 we save £608k pa by working in Partnerships)	Partner actions delayed. Agreed funding not received by SDC. Partnerships ending.	Separate accounting arrangements. Active liaison with partners on service arrangements. Written partnership agreements.	£6k

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External Funding Awards	£0.5m	3	2	6	Up to £500k Impact on individual projects is high	Time limited.	Exit strategies in place.	£5k
Changes in service demand		3	3	9	Impacts will vary depending on service.		Service planning in place Continue to lobby Government where changes are due to new Gov't requirements.	
Interest Rates	£0.250m 16/17 budget	3	3	9	£215k per 0.5%. Rate increase predicted for 2016/17	Large cash variance from small rate changes. Reducing availability of suitable counter parties	Use of professional advisers. If internal borrowing is used for capital investment projects in 2016/17 there will be less cash earning bank interest. Realistic budget proposed for 2016/17	£2.5k
Investments	£44m balance at Nov 2015	1	5	5		Financial institutions going into administration.	Investment strategy regularly reviewed by FAC. Use of professional advisers.	n/a
Asset base maintenance	£1.0m	1	2	2	Annual budget is based on 30% of assessed maintenance.	Unexpected problems occurring with financial implications. Reducing budget levels. Ageing assets	Reserve funds set aside. 10 year maintenance planning carried out. Policy of reducing asset liabilities wherever possible.	n/a
Capital Investment resources	£3.5m balance at March 2015 utilised for Investment Property purchase	2	2	4	Risks taken into account in the Capital Programme report.	Capital receipt levels modest.	External funding sought wherever possible. Capital Investment priorities in place. Property Review being pursued to secure asset sales. Internal Borrowing approved for future investments	n/a

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Rental Income from Investment Property	£0.6m in 2016/17 budget	1	4	4	Dependant on financial strength of tenants + good management to reduce impact of void periods.	Property tenants unable to pay rents/length of void premises/ability to source new tenants	Vetting of new tenants; tight control on rent payments	
Disposal of surplus assets	£1.6m budget in plan (15/16)	2	2	4	Risks taken into account in the Capital Programme and Asset Maintenance report.	Planning conflict. Resources required to bring sites forward.	Land Owner/Planning protocols in place. In-house property team. Planned Property Review disposal programme.	
Government Support: Revenue Support Grant	£1.5m in 2015/16	5	4	20	£15k per 1% change.	Government continues to reduce grant. Uncertainty over future grant receipts for use in investment. Only short term settlements provided.	Excluding grant from budget from 16/17 onwards so SDC will be self sufficient from govt. funding; Adequate level of General Reserve held.	n/a
Government Support: Retained Business Rates	£1.9m in 2015/16	5	4	20	£19k per 1% change	Government changing baseline and therefore safety net levels. Time delays in decisions on appeals. High volume of successful valuation appeals.	10-year budget strategy gives ability to gradually adjust for changes. Adequate level of General Reserve held.	£19k
Council tax Referendum limits	£9.30m CTAX income in 15/16	4	3	12	£93k per 1% Government controls on changes in council tax rates	Council tax increases limited to 2% Impact on council tax base from Local CTAX schemes.	Draft 10-year budget includes council tax increase assumptions for future years.	£93k

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Future Service Changes by Government		4	4	16		Additional services without consequent resources, e.g. previous examples of Maint. of trees on common land. Government directives on income charging e.g. Personal searches. Potential changes on health responsibilities.	Monitor proposals. Respond to consultation with local view.	
Fuel cost increases for Direct Services	£0.5m	5	2	10	10% increase would be £50k	Changes in global oil prices.	Continue to monitor fuel usage and efficiency. Vehicle replacement programme.	£5k
Changes to Audit Arrangements		2	2	4		Abolition of Audit Commission in March 2015; change of external auditors	Plan responses to new initiatives well in advance. <i>(appointment of external auditors transfers to Public Sector Audit Appointments Ltd)</i> , Ensure Council organisation design can meet challenges.	