

Risk Factors 2020/21

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 budgeted expenditure or income
Pay Costs	£15.2m total costs	3	4	12	2% pay increase = £304k. Budget assumptions: 2% pay award in all years.	Largest single item of cost. Complex drivers across the organisation. Staff recruitment and retention.	New salary bands introduced from 1 April 2019 which reduced the costs of annual increments. Formal sickness & overtime monitoring. Separate control on agency staff. Part of National Agreement.	£152k
Pensions Funding	£15m deficit	1	3	3	1% change in employers contribs = £100k.	Deficit on County Fund. Future actuarial results. Government review.	£100k included in 10- year budget in 2023/24 to contribute towards any additional pensions costs when the next valuation takes place	£100k
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.	

Appendix K

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- Development Management	£0.9m	3	3	9	10% reduction would be £90k.	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.	£9k
- Building Control	£0.4m	3	3	9	10% reduction would be £40k	Volatile activity levels in the housing market and general economic conditions. Competition from commercial organisations	Current year income is above target. Continue to monitor.	£4k
- Car Parks	£2.6m	1	4	4	10% reduction would be £260k	General economic conditions; central government directives	Current year income is below. Continue to monitor.	£26k
- On-Street Parking	£1.0m	1	3	3	10% reduction would be £90k	General economic	Current year is above target. Continue to	£10k

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						conditions. Legislative constraints on spending surpluses. Reverts to KCC control	monitor and review.	
Partnership working and partner contributions	£0.7m	3	2	6	Impact on individual projects is high. (As reported to Legal and Democratic AC on 04/10/18, we save over £700k 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.	£7k
External Funding Awards including Leader project	£0.1m	3	2	6	Up to £104k Impact on individual projects is high	Time limited to Dec 20. Potential risk from uncertainty over replacement of project funds from UK government and other funding providers	Exit strategies in place.	£1k

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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	£0.25m 20/21 budget	3	3	9	£250k per 0.5%.	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 2020/21 there will be less cash earning bank interest.	£2.5k
Investments	£25.7m balance at Nov 2019	1	5	5		Financial institutions going into administration.	Investment strategy regularly reviewed by FIAC. Use of professional advisers.	n/a
Asset base maintenance	£0.7m	2	2	4	Annual budget is based on historic expenditure.	Unexpected problems occurring with financial implications. Reducing budget levels. Ageing assets particularly for leisure	20-year maintenance programme developed to manage budgeted expenditure. Reserve funds set aside. Policy of reducing asset liabilities wherever possible.	n/a

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Capital Investment resources (Capital receipts, Capital Financing Reserve, Financial Plan Reserve, Internal Borrowing, External Borrowing)	Capital Receipts 20/21 £14.6m, Capital Financing reserve £0.59m. (balances at Nov 2019).	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. External Borrowing approved as an option for future investments	n/a
Property Investment Strategy	£29.5m invested at November 2019 £1.428m rental income in 20/21	3	3	9		Market value of property may reduce below price at acquisition	External property investment advisors retained for each acquisition; due diligence undertaken pre-purchase. Purchases only made within strategy, which is kept under review.	£14k

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Rental Income from Investment Property (non- Property Investment Strategy)	£0.1m in 2020/21 budget	1	2	2	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	Due diligence prior to letting to new tenants; tight control on rent payments	£1k
Disposal of surplus assets	£15.0m forecast in 19/20 - 22/23)	2	4	8	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.	n/a
Government Support: Revenue Support Grant	£0 in 2019/20 revenue budget				n/a	n/a	Excluded grant from budget from 16/17 onwards so SDC became self-sufficient from govt. funding; Adequate level of General Reserve held.	n/a

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Government Support: Retained Business Rates	£2.1m in 2020/21	5	4	20	£20k per 1% change	Government changing baseline and therefore safety net levels. Time delays in decisions on appeals. High volume of successful valuation appeals. Central government intends to introduce business rate but timeline uncertain.	10-year budget strategy gives ability to gradually adjust for changes. Adequate level of General Reserve held.	£20k
Council tax Referendum limits	£11.2m Council Tax income in 20/21	4	3	12	£100k per 1% Government controls on changes in council tax rates	Council tax increases limited budgeted at 2% or £5 in 20/21 per draft announcement but subject to change dependant on final Government announcement.	Draft 10-year budget includes council tax increase assumptions for future years.	£112k

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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 consultations 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