

## Financial Risks Budget 2021/22

The Financial Risks are detailed below. The impact and likelihood of each risk are first assessed gross (without existing controls in place) and then re-assessed following the identification of key controls (net)

Likelihood	Very Likely (5)	16		13	17	
	Likely (4)			14		
	Possible (3)	8	10	3, 6, 15, 19	1, 5	
	Unlikely (2)		7, 18, 21	4,	22	
	Very Unlikely (1)		20	2		11
		Minimal (1)	Minor (2)	Moderate (3)	Major (4)	Critical (5)
Impact						

- No matrix for risk 9, 12

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
<b>SR01: Finance - Failure deliver a balanced budget</b> <b>Lead Officer: Adrian Rowbotham &amp; Alan Mitchell</b>								
<b>1) <u>Pay Costs</u></b> <ul style="list-style-type: none"> <li>Largest single item of cost.</li> <li>Complex drivers across the organisation.</li> <li>Staff recruitment and retention.</li> <li>2020/21 National Pay Award was 2.75% and the level of future pay awards remains uncertain</li> </ul>	<ul style="list-style-type: none"> <li>£15.5m total costs.</li> <li>2% pay increase = £338k.</li> <li>Budget assumptions: 2% pay award in all years.</li> </ul>	4	4	16	<ul style="list-style-type: none"> <li>New salary bands introduced from 1 April 2019 which reduced the costs of annual increments.</li> <li>Formal sickness &amp; overtime monitoring.</li> <li>Separate control on agency staff.</li> <li>Part of National Agreement.</li> </ul>	3	4	12
<b>2) <u>Pensions Funding</u></b> <ul style="list-style-type: none"> <li>Deficit on County Fund.</li> <li>Future actuarial results.</li> <li>Government review.</li> </ul>	<ul style="list-style-type: none"> <li>£15m deficit</li> <li>1% change in employers contribution = £100k</li> </ul>	2	4	8	<ul style="list-style-type: none"> <li>£100k included in 10-year budget in 2023/24 to contribute towards any additional pensions costs when the next valuation takes place</li> </ul>	1	3	3
<b>3) <u>Income - Development Management</u></b> <ul style="list-style-type: none"> <li>Volatile activity levels in the housing market and general economic conditions. Fluctuations in income with major applications</li> </ul>	<ul style="list-style-type: none"> <li>£0.9m loss</li> <li>10% reduction would be £90k.</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>Current year income is above target.</li> <li>Continue to monitor.</li> <li>Further details in 21/22 SCIA 11</li> </ul>	3	3	9
<b>4) <u>Income - Building Control</u></b>		3	3	9		2	3	6

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<b>SR01: Finance - Failure deliver a balanced budget</b>								
<b>Lead Officer: Adrian Rowbotham &amp; Alan Mitchell</b>								
<ul style="list-style-type: none"> <li>• Volatile activity levels in the housing market and general economic conditions.</li> <li>• Competition from commercial organisations</li> </ul>	<ul style="list-style-type: none"> <li>• £0.5m loss</li> <li>• 10% reduction would be £50k</li> </ul>				<ul style="list-style-type: none"> <li>• Current year income is above target.</li> <li>• COVID-19 monitoring and reports</li> </ul>			
<b>5) <u>Income - Car Parks</u></b> <ul style="list-style-type: none"> <li>• General economic conditions; central government directives; ongoing impact of the COVID-19 pandemic.</li> </ul>	<ul style="list-style-type: none"> <li>• £3.0m</li> <li>• 10% reduction would be £300k</li> </ul>	4	4	16	<ul style="list-style-type: none"> <li>• Current year income is below. Continue to monitor.</li> <li>• COVID-19 monitoring and reports</li> </ul>	3	4	12
<b>6) <u>Income - On-Street Parking</u></b> <ul style="list-style-type: none"> <li>• General economic conditions. Legislative constraints on spending surpluses. Reverts to KCC control.</li> <li>• Ongoing impact of the COVID-19 pandemic.</li> </ul>	<ul style="list-style-type: none"> <li>• £1.0m</li> <li>• 10% reduction would be £100k</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>• Current year is below target. Continue to monitor and review.</li> <li>• Further details in 21/22 SCIA 2</li> <li>• Further details in 21/22 SCIA 25</li> </ul>	3	3	9
<b>7) <u>Partnership working and partner contributions</u></b> <ul style="list-style-type: none"> <li>• Partner actions delayed.</li> <li>• Agreed funding not received by SDC.</li> <li>• Partnerships ending.</li> </ul>	<ul style="list-style-type: none"> <li>• £0.7m</li> <li>• Impact on individual projects is high.</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>• Separate accounting arrangements.</li> <li>• Active liaison with partners on service arrangements</li> </ul>	2	2	4



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<b>SR01: Finance - Failure deliver a balanced budget</b> <b>Lead Officer: Adrian Rowbotham &amp; Alan Mitchell</b>								
<b>10) Interest Rates</b> <ul style="list-style-type: none"> <li>Large cash variance from small rate changes.</li> <li>Reducing availability of suitable counter parties</li> </ul>	<ul style="list-style-type: none"> <li>Up to £0.30m 21/22 budget</li> <li>£250k per 0.5%.</li> </ul>	4	2	8	<ul style="list-style-type: none"> <li>Use of professional advisers.</li> <li>If internal borrowing is used for capital investment projects in 2021/22 there will be less cash earning bank interest.</li> </ul>	3	2	6
<b>11) Investments</b> <ul style="list-style-type: none"> <li>Financial institutions going into administration.</li> <li>Lower balances to invest.</li> </ul>	<ul style="list-style-type: none"> <li>£18.7m balance at Sept 2020</li> </ul>	2	5	0	<ul style="list-style-type: none"> <li>Investment strategy regularly reviewed by FIAC.</li> <li>Use of professional advisers.</li> </ul>	1	5	5
<b>12) Government Support: Revenue Support Grant</b>	£0 in 2021/22 revenue budget	0	0	0	<ul style="list-style-type: none"> <li>Excluded grant from budget from 16/17 onwards so SDC became self-sufficient from govt. funding;</li> <li>Adequate level of General Reserve held.</li> </ul>	0	0	0
<b>13) Government Support: Retained Business Rates</b> <ul style="list-style-type: none"> <li>Government changing baseline and therefore safety net levels.</li> <li>Time delays in decisions on appeals.</li> <li>High volume of successful valuation appeals.</li> </ul>	<ul style="list-style-type: none"> <li>£2.2m in 2021/22</li> <li>£20k per 1% change</li> </ul>	5	4	20	<ul style="list-style-type: none"> <li>10-year budget strategy gives ability to gradually adjust for changes.</li> <li>Adequate level of General Reserve held.</li> </ul>	5	3	15

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR01: Finance - Failure deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell								
<ul style="list-style-type: none"> <li>Central government intends to introduce business rate but timeline uncertain.</li> </ul>								
<b>14) Council tax Referendum limits</b> <ul style="list-style-type: none"> <li>Council tax increases limited budgeted at 2% or £5 in 21/22 per draft announcement but subject to change dependant on final Government announcement</li> </ul>	<ul style="list-style-type: none"> <li>£11.4m Council Tax income in 21/22</li> <li>£100k per 1% Government controls on changes in council tax rates</li> </ul>	4	4	16	<ul style="list-style-type: none"> <li>Draft 10-year budget includes council tax increase assumptions for future years.</li> </ul>	4	3	12
<b>15) Future Service Changes by Government</b> <ul style="list-style-type: none"> <li>Additional services without consequent resources, e.g. previous examples of Maint. of trees on common land.</li> <li>Government directives on income charging e.g. Personal searches. Potential changes on health responsibilities.</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	4	4	16	<ul style="list-style-type: none"> <li>Monitor proposals.</li> <li>Respond to consultations with local view.</li> </ul>	3	3	9
<b>16) Fuel cost increases for Direct Services</b>		5	2	10		5	1	10

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<b>SR01: Finance - Failure deliver a balanced budget</b> <b>Lead Officer: Adrian Rowbotham &amp; Alan Mitchell</b>								
<ul style="list-style-type: none"> <li>Changes in global oil prices.</li> </ul>	<ul style="list-style-type: none"> <li>10% increase would be £60k</li> </ul>				<ul style="list-style-type: none"> <li>Continue to monitor fuel usage and efficiency.</li> <li>Vehicle replacement programme.</li> </ul>			
<b>17) COVID-19</b> <ul style="list-style-type: none"> <li>All areas of income generation</li> <li>Some areas of expenditure</li> </ul>	Loss of income and additional costs £3.6m	5	5	5	<ul style="list-style-type: none"> <li>Continue to monitor and implement savings in 10-year budget.</li> <li>Government Income Compensation Scheme and reserves used to fund 1 off costs.</li> <li>10-year budget to allow for ongoing net service costs.</li> </ul>	5	4	20

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
<b>SR02: Property Investment Strategy - Failure to identify opportunities to meet the Property Investment Strategy</b>								
<b>Lead Officer: Adrian Rowbotham &amp; Detlev Munster</b>								
<b>18) <u>Capital Investment resources</u></b> (Capital receipts, Capital Financing Reserve, Financial Plan Reserve, Internal Borrowing, External Borrowing) <ul style="list-style-type: none"> <li>Capital receipt levels modest.</li> </ul>	<ul style="list-style-type: none"> <li>Capital Receipts 21/22 £3.0m,</li> <li>Capital Financing reserve £0.159m. (balances at Sept 2020).</li> <li>Risks taken into account in the Capital Programme report.</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>External funding sought wherever possible. Capital Investment priorities in place.</li> <li>Property Review being pursued to secure asset sales. External Borrowing approved as an option for future investments</li> </ul>	2	2	4
<b>19) <u>Property Investment Strategy</u></b> <ul style="list-style-type: none"> <li>Market value of property may reduce below price at acquisition</li> </ul>	<ul style="list-style-type: none"> <li>£31.3m invested at Sept 2020</li> <li>£1.468m rental income in 21/22</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>External property investment advisors retained for each acquisition; due diligence undertaken pre-purchase.</li> <li>Purchases only made within strategy, which is kept under review.</li> </ul>	3	3	9
<b>20) <u>Rental Income</u></b> (Non Property Investment Strategy)	<ul style="list-style-type: none"> <li>£0.1m in 2021/22 budget</li> </ul>	2	2	4	<ul style="list-style-type: none"> <li>Due diligence prior to letting to new tenants;</li> </ul>	1	2	2



Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR02: Property Investment Strategy - <i>Failure to identify opportunities to meet the Property Investment Strategy</i>								
Lead Officer: Adrian Rowbotham & Detlev Munster								
<ul style="list-style-type: none"> <li>Property tenants unable to pay rents/length of void premises/ability to source new tenants</li> </ul>	Dependant on financial strength of tenants + good management to reduce impact of void periods.				tight control on rent payments			

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
SR03: Asset Management & Maintenance - <i>Losing the ability to:</i>								
a) <i>Dispose of surplus land;</i>								
b) <i>Maintain and develop assets and land holdings;</i>								
c) <i>Secure tenants for vacant or part-vacant assets</i>								
Lead Officers: Adrian Rowbotham & Detlev Munster and Alex Dawson								
<b>21) <u>Asset base maintenance</u></b> <ul style="list-style-type: none"> <li>Unexpected problems occurring with financial implications.</li> <li>Reducing budget levels.</li> </ul>	<ul style="list-style-type: none"> <li>£0.6m</li> <li>Annual budget is based 20-year programme.</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>20-year maintenance programme developed to manage budgeted expenditure.</li> <li>Reserve funds set aside.</li> </ul>	2	2	4

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating
<p><b>SR03: Asset Management &amp; Maintenance - Losing the ability to:</b>  <i>a) Dispose of surplus land;</i>  <i>b) Maintain and develop assets and land holdings;</i>  <i>c) Secure tenants for vacant or part-vacant assets</i></p> <p>Lead Officers: Adrian Rowbotham &amp; Detlev Munster and Alex Dawson</p>								
					<ul style="list-style-type: none"> <li>• Policy of reducing asset liabilities wherever possible.</li> <li>• Further details 21/22 SCIA 16</li> </ul>			
<p><b>22) Disposal of Surplus Assets</b></p> <ul style="list-style-type: none"> <li>• Planning conflict.</li> <li>• Resources required to bring sites forward.</li> </ul>	<ul style="list-style-type: none"> <li>• £4.1m forecast in 20/21 - 23/24)</li> <li>• Risks taken into account in the Capital Programme and Asset Maintenance report.</li> </ul>	3	4	12	<ul style="list-style-type: none"> <li>• Land Owner/Planning protocols in place.</li> <li>• In-house property team.</li> <li>• Planned Property Review disposal programme.</li> </ul>	2	4	8