

### Financial Risks Budget 2022/23

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)			13, 16		
	Likely (4)			14		
	Possible (3)		10	3, 6, 15, 19	1, 5	
	Unlikely (2)		7, 18, 21	4,	22	
	Very Unlikely (1)	8	20	2	17	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	Target Likelihood	Target Impact	Target Rating
SR01: Finance - Failure deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell											
<b>1) Pay Costs</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>2021/22 National Pay Award current offer 1.75% and the level of future pay awards remains uncertain</li> <li>Health and Social Care Levy (extra 1.25% NI from 01/04/22)</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> <li>Increased costs of c£100,000 due to be offset by Govt funding but full real effects not yet known</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	3	4	12
<b>2) Pensions Funding</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	1	3	3

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SR01: Finance - Failure deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell											
<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> </ul>	3	3	9	3	3	9
<b>4) <u>Income - Building Control</u></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>	3	3	9	<ul style="list-style-type: none"> <li>• Current year income is above target.</li> <li>• Financial monitoring and reports</li> </ul>	2	3	6	2	3	6
<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>• Financial monitoring and reports</li> </ul>	3	4	12	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</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> </ul>	3	3	9	3	3	9

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SR01: Finance - Failure deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell											
<p>surpluses. Reverts to KCC control.</p> <ul style="list-style-type: none"> <li>Ongoing impact of the COVID-19 pandemic.</li> </ul>											
<p><b>7) <u>Partnership working and partner contributions</u></b></p> <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> <li>Written partnership agreements. Partnership arrangements are monitored to ensure they are still appropriate.</li> </ul>	2	2	4	2	2	4
<p><b>8) <u>External Funding Awards</u></b></p> <ul style="list-style-type: none"> <li>In the 22/23 budget 13.35 FTE are externally funded</li> </ul>	<ul style="list-style-type: none"> <li>£0.6m cost funded</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>Exit Strategies in place</li> </ul>	3	1	3	3	1	3

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SR01: Finance - Failure deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell											
	<ul style="list-style-type: none"> <li>Impact on individual projects is high</li> </ul>										
<b>9) <u>Changes in service demand</u></b> <ul style="list-style-type: none"> <li>Impacts will vary depending on service.</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	0	0	0	<ul style="list-style-type: none"> <li>Service planning in place</li> <li>Continue to lobby Government where changes are due to new Gov't requirements.</li> </ul>	0	0	0	0	0	0
<b>10) <u>Interest Rates</u></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 £0.188m 22/23 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>Internal borrowing used for capital investment projects reduces the balances available to invest which in turn less bank interest earned.</li> <li>Implementation of new investment vehicles to maximise returns</li> </ul>	3	2	6	3	2	6

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SR01: Finance - Failure deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell											
<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>£38.7m balance at Nov 2021</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	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	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>£2.1m 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	5	3	15

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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>£11.2m 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	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.</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	3	3	9

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SR01: Finance - Failure deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell											
Potential changes on health responsibilities.											
<b>16) Fuel cost increases for Direct Services</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>	5	2	10	<ul style="list-style-type: none"> <li>Continue to monitor fuel usage and efficiency.</li> <li>Vehicle replacement programme.</li> </ul>	5	1	10	5	1	10
<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	5	4	20



Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
SR02: Property Investment Strategy - <i>Failure to identify opportunities to meet the Property Investment Strategy</i>											
Lead Officer: Adrian Rowbotham & Detlev Munster											
<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> <li>Capital receipts not sufficient to fund required capital programme</li> </ul>	<ul style="list-style-type: none"> <li>Capital Receipts 22/23 £1.5m,</li> <li>Capital Financing reserve £1.5m. (balances at Nov 2021).</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.</li> <li>External Borrowing approved as an option for future investments</li> </ul>	2	2	4	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</li> </ul>	3	3	9	3	3	9

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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>PWLB no longer available as a funding option</li> </ul>					<p>undertaken pre-purchase.</p> <ul style="list-style-type: none"> <li>Purchases only made within strategy, which is kept under review.</li> <li>Separate Property Investment Strategy Risk Register.</li> </ul>						
<p><b>20) Rental Income</b> (Non Property Investment Strategy)</p> <ul style="list-style-type: none"> <li>Property tenants unable to pay rents/length of void premises/ability to source new tenants</li> </ul>	<ul style="list-style-type: none"> <li>£0.1m in 2022/23 budget</li> </ul> <p>Dependant on financial strength of tenants + good management to reduce impact of void periods.</p>	2	2	4	<ul style="list-style-type: none"> <li>Due diligence prior to letting to new tenants; tight control on rent payments</li> </ul>	1	2	2	1	2	2

Risk Factors	Potential Effect	Gross Likelihood	Gross Impact	Gross Rating	Internal Controls	Net Likelihood	Net Impact	Net Rating	Target Likelihood	Target Impact	Target Rating
<b>SR03: Asset Management &amp; Maintenance - Losing the ability to:</b> a) Dispose of surplus land; b) Maintain and develop assets and land holdings; c) Secure tenants for vacant or part-vacant assets  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 on a 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> <li>Policy of reducing asset liabilities wherever possible.</li> </ul>	2	2	4	2	2	4
<b>22) <u>Disposal of Surplus Assets</u></b> <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>£6.87m forecast in 22/23 - 24/25 (£4.29m</li> </ul>	3	4	12	<ul style="list-style-type: none"> <li>Land Owner/Planning protocols in place.</li> </ul>	2	4	8	2	4	8

	already allocated) <ul style="list-style-type: none"><li>• Risks taken into account in the Capital Programme and Asset Maintenance report.</li></ul>				<ul style="list-style-type: none"><li>• In-house property team.</li><li>• Planned Property Review disposal programme.</li></ul>						
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