

Financial Risks Budget 2023/24

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

- No matrix score 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 to deliver a balanced budget Lead Officer: Adrian Rowbotham & Alan Mitchell											
1) Pay Costs <ul style="list-style-type: none"> Largest single item of cost. Complex drivers across the organisation. Staff recruitment and retention. 2022/23 National Pay Award was £1,925 (5.8%) and the level of future pay awards remains uncertain 	<ul style="list-style-type: none"> £17.3m total costs. 2% pay increase = £346k. Budget assumptions: 2% pay award in all years. 	4	4	16	<ul style="list-style-type: none"> New salary bands introduced from 1 April 2019 which reduced the costs of annual increments. Updated policies on Formal sickness & overtime monitoring. Separate control on agency staff. Part of National Agreement. 	3	4	12	3	4	12
2) Pensions Funding <ul style="list-style-type: none"> Deficit on County Fund. Future actuarial results. Government review. 	<ul style="list-style-type: none"> £8.78m deficit (March 22) 1% change in employers' contribution = £100k 	2	4	8	<ul style="list-style-type: none"> £50k included in 2026/27 to contribute towards any additional pensions costs when the next valuation takes place 	1	3	3	1	3	3
3) Income - Development Management <ul style="list-style-type: none"> Volatile activity levels in the housing market and 	<ul style="list-style-type: none"> £1.0m loss 	4	3	12	<ul style="list-style-type: none"> Current year income is above target. Continue to monitor. 	3	3	9	3	3	9

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general economic conditions. Fluctuations in income with major applications	<ul style="list-style-type: none"> 10% reduction would be £100k. 										
4) <u>Income - Building Control</u> <ul style="list-style-type: none"> Volatile activity levels in the housing market and general economic conditions. Competition from commercial organisations 	<ul style="list-style-type: none"> £0.5m loss 10% reduction would be £50k 	3	3	9	<ul style="list-style-type: none"> Current year income is above target. Financial monitoring and reports 	2	3	6	2	3	6
5) <u>Income - Car Parks</u> <ul style="list-style-type: none"> General economic conditions; central government directives; ongoing impact of the COVID-19 pandemic. 	<ul style="list-style-type: none"> £2.8m 10% reduction would be £280k 	4	4	16	<ul style="list-style-type: none"> Current year income is above target. Budgets are increased by at least 5% to return to pre-COVID levels Continue to monitor. Financial monitoring and reports 	3	4	12	3	4	12
6) <u>Income - On-Street Parking</u> <ul style="list-style-type: none"> General economic conditions. Legislative constraints on spending surpluses. Reverts to KCC control. 	<ul style="list-style-type: none"> £???.75m 10% reduction would be £75k 	4	3	12	<ul style="list-style-type: none"> Current year is above target. Continue to monitor and review. 	3	3	9	3	3	9

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<ul style="list-style-type: none"> Ongoing impact of the COVID-19 pandemic. 											
7) <u>Partnership working and partner contributions</u> <ul style="list-style-type: none"> Partnerships not meeting agreed targets. Agreed funding not received by SDC. Partnerships ending. 	<ul style="list-style-type: none"> £0.7m Impact on individual projects is high. 	3	2	6	<ul style="list-style-type: none"> Separate accounting arrangements. Active liaison with partners on service arrangements Written partnership agreements. Partnership arrangements are monitored to ensure they are still appropriate. 	2	2	4	2	2	4
8) <u>External Funding Awards</u> <ul style="list-style-type: none"> In the 23/24 budget 11.90 FTE are externally funded 	<ul style="list-style-type: none"> £0.5m cost funded Impact on individual projects is high 	3	2	6	<ul style="list-style-type: none"> Exit Strategies in place 	3	1	3	3	1	3

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9) <u>Changes in service demand</u> <ul style="list-style-type: none"> Impacts will vary depending on service. 	<ul style="list-style-type: none"> N/A 	-	-	-	<ul style="list-style-type: none"> Service planning in place Continue to lobby Government where changes are due to new Gov't requirements. 	-	-	-	-	-	-
10) <u>Interest Rates</u> <ul style="list-style-type: none"> Large cash variance from small rate changes. Reducing availability of suitable counter parties 	<ul style="list-style-type: none"> Up to £0.188m 23/24 budget £250k per 0.5%. 	4	2	8	<ul style="list-style-type: none"> Use of professional advisers. Internal borrowing used for capital investment projects reduces the balances available to invest which in turn less bank interest earned. Implementation of new investment vehicles to maximise returns 	3	2	6	3	2	6
11) <u>Investments</u>		2	5	10		1	5	5	1	5	5

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<ul style="list-style-type: none"> Financial institutions going into administration. Lower balances to invest. 	<ul style="list-style-type: none"> £26.4m balance at Nov 2022 				<ul style="list-style-type: none"> Investment strategy regularly reviewed by FIAC. Use of professional advisers. 						
12) <u>Government Support: Revenue Support Grant</u>	£0 in 2021/22 revenue budget	-	-	-	<ul style="list-style-type: none"> Excluded grant from budget from 16/17 onwards so SDC became self-sufficient from govt. funding. Adequate level of General Reserve held. 	-	-	-	-	-	-
13) <u>Government Support: Retained Business Rates</u> <ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> £2.3m in 2023/24 £20k per 1% change 	5	4	20	<ul style="list-style-type: none"> 10-year budget strategy gives ability to gradually adjust for changes. Adequate level of General Reserve held. 	5	2	10	5	2	10

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business rate review but timeline uncertain.											
14) Council tax Referendum limits <ul style="list-style-type: none"> Council tax increases limited budgeted at 2.99% per the Autumn Statement. 	<ul style="list-style-type: none"> £12.1m Council Tax income in 23/24 £120k per 1% Government controls on changes in council tax rates 	4	4	16	<ul style="list-style-type: none"> Draft 10-year budget includes council tax increase assumptions for future years. 	4	3	12	4	3	12
15) Future Service Changes by Government <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> N/A 	4	4	16	<ul style="list-style-type: none"> Monitor proposals. Respond to consultations with local view. 	3	3	9	3	3	9

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16) <u>Utility costs incl Direct Services</u> <ul style="list-style-type: none"> Changes in global oil, gas and electricity prices. 	<ul style="list-style-type: none"> 10% increase would be £75k 	5	2	10	<ul style="list-style-type: none"> Negotiate best possible terms in contractual agreements Continue to monitor fuel usage and efficiency. Vehicle replacement programme. 	5	1	10	5	1	10
17) <u>COVID-19</u> <ul style="list-style-type: none"> All areas of income generation Some areas of expenditure 	<ul style="list-style-type: none"> Loss of income and additional costs 1% reduction in income £93k 	2	3	6	<ul style="list-style-type: none"> Continue to monitor and implement savings in 10-year budget. 10-year budget to allow for ongoing net service costs. 	2	2	4	2	2	4