

Finance Risk Register, Gross 'High' (Red) Risks Extract and 'Impact on Resources' Risk - Appendix B

REF	DIVISION	RISK TITLE & DESCRIPTION (a line break - press alt & return - must be entered after the risk title)	RISK CAUSE & EFFECT	RISK CATEGORY	GROSS RISK RATING (See next tab for guidance)			EXISTING CONTROLS IN PLACE TO MITIGATE THE RISK			CURRENT RISK RATING (See next tab for guidance)			DATE LAST REVIEWED:	RISK OWNER
					LIKELIHOOD	IMPACT	RISK RATING	LIKELIHOOD	IMPACT	RISK RATING	FURTHER ACTION REQUIRED				
2	Finance	Financial Market Volatility Financial loss arising from the volatility of financial markets.	Cause(s): Market volatility, recession, banking failure Effect(s): We do not maximise our interest earnings on balances and could also suffer the following issues - Liquidity, Interest rate, Exchange rate, Inflation, Credit and counterparty, Refinancing, legal and regulatory risks	Financial - Operational	3	5	15	1. Regular strategy meetings 2. Use of external advisors 3. Internal Audit review of activities 4. Quarterly reporting to E,R&C PDS Committee (Members) 5. Adoption of CIPFA Treasury Management Code of Practice 6. Regular meetings / discussions with external auditors 7. Treasury management strategy	2	4	8		David Dobbs		
3	Finance	Capital Income Shortfall Inability to generate capital receipts	Cause(s): Property price reductions as a result of the economic environment. Falling number of assets available for disposal Effect(s): Financial	Economic - Strategy	4	4	16	1. Close monitoring of spend and income 2. Reporting to Members 3. Tight control of spending commitments 4. Quarterly reports on capital receipts (actual and forecast) to Executive.	3	3	9		David Dobbs		
4	Finance	Pension Fund The pension fund not having sufficient resources to meet all liabilities as they fall due	Cause(s): 1. Investment markets fail to perform in line with expectations 2. Market yields move at a variance with assumptions 3. Investment managers fail to achieve their targets over the longer term 4. Longevity horizon continues to expand. Although the triennial valuation reported that the Council's pension fund is fully funded, there is a need to address a future risk of the pension fund not having sufficient resources 5. Deterioration in pattern of early retirements 6. Administering authority unaware of structural changes in an employer's membership e.g. large fall in employee members, large number of retirements 7. Mandatory pooling of investments (London CIV) may result in appointment of poorer performing investment managers. Effect(s): Financial	Financial - Operational	3	5	15	1. Use of external advice. 2. Financial: Monitoring of investment returns - analysis of valuation reports 3. Demographic: Longevity horizon monitored at triennial reviews - quarterly review of retirement levels 4. Regulatory: Monitor draft regulations and respond to consultations - actuarial advice on potential where appropriate 5. Internal audit review of activities, performance, controls etc. 6. Quarterly reports to Pensions Investment Sub-Committee 7. Funding Strategy Statement 8. Statement of Investment Principles 9. Communications Policy 10. Governance Policy 11. Triennial valuation by actuary 12. Strategic asset allocation review.	2	4	8		Director of Finance		
5	Finance	Failure to deliver a sustainable Financial Strategy which meets with BBB priorities and failure of individual departments to meet budget	Cause(s): 1. The 2021/22 Draft Budget report to Executive identified the need to reduce the Council's 'budget gap' of £14.1m per annum by 2024/25. The Council received a one-year financial settlement for 2021/22, which creates uncertainty on funding levels for future years. 2. The fundamental review of local government funding through the Fair Funding Review and Business Rate review has been delayed until at least 2022/23 which adds to financial uncertainty in considering the impact on the financial forecast for 2022/23 to 2024/25. A significant challenge to the future year's financial position relates to the ongoing impact of the Covid 19 situation and the uncertainty relating to the cost implications of the 'new normal'. Further details are included in the Draft 2021/22 Budget and Update on the Council's Financial Strategy 2021/22 to 2024/25 report to Executive on 13th January 2021. It is not clear whether local authorities will be fully compensated for the Covid 19 impact from Government. 3. Failure to meet departmental budgets due to increased demand on key services resulting in overspends: Housing (homelessness and cost of bed and breakfast); Adult Social Care (welfare reform and ageing population); Children's Social Care, Education (central costs), Waste (growing number of households) and limited delivery of planned mitigation savings. 4. The risk of the Council not being able to carry out its statutory duties (e.g. pupil admissions, school improvement, child protection) as a consequence of funding pressures not being met. 5. Dependency on external grants to fund services (schools and housing benefits are ring-fenced) - effect if grant reduces (Public Health services) or ceases. 6. The new national living wage will have cost implications to the Council over the next few years (e.g. care providers and carers). 7. Local government may be required to take on new funding responsibilities in the future without adequate funding. 8. Impact of welfare reforms and the phased roll out of Universal Credit. 9. Failure to identify and highlight frauds and weaknesses in the system of internal control (which invariably have a financial impact). Overall, fraud losses are mainly benefit related (Council Tax Support / Single Person Discount). Effect(s): - Increased overspends in particular services - Council unable to carry out its statutory duties due to services cuts - Reputational damage	Financial - Operational	5	5	25	Strategic Controls: 1. Regular update to forward forecast 2. Ongoing monitoring of impact of COVID situation and trends re 'new normal' 3. Regular analysis of funding changes and new burdens particularly on Covid situation and full year impact 4. Early identification of future savings required 5. Transformation options considered early in the four year forward planning period 6. Budget monitoring to include action from relevant Director to address overspends including action to address any full year additional cost 7. Mitigation of future cost pressures including demographic changes 8. Quarterly review of growth pressures and mitigation 9. Continue to progress with opportunities for the Transformation Reviews towards meeting future years' budget gap. Operational Controls: 1. Management of Risks document covering inflation, capping, financial projections etc. attached to budget reports 2. Departmental risk analysis 3. Reporting of financial forecast updates in year to provide an update of financial impact and action required 4. Obtain monthly trend / current data to assist in any early action required 5. Obtain regular updates / market intelligence 6. Reporting full year effect of budget variations 7. Analysis of government plans and changes	4	5	20	The Council continues to explore transformation opportunities to help meet the ongoing budget gap	Director of Finance		
11	Finance	Failure to comply with the grant conditions and ensure effective utilisation of the significant Government funding received, relating to the Covid pandemic to support businesses	Cause(s): 1. Appropriate processes and controls not put in place for administering the various business grant schemes 2. The criteria of the various schemes is not applied correctly 3. Full training and guidance is not provided to those administering the scheme and making payments 4. Lack of governance and oversight of the various schemes Effect(s): - Payments are not made timely leading to severe financial difficulty for a business and possible insolvency - Fraudulent payments are made - Payments are made to businesses who do not meet the qualifying criteria - Payments are made in error e.g. to the wrong bank account or individual - Unused funding has to be returned to Government - Complaints / adverse publicity / reputational damage	Financial - Operational	4	5	20	- Training, guidance and advice provided to all those involved in administering the schemes (with Internal Audit involvement) - Regular and ad-hoc meetings between key personnel to ensure governance and oversight and agree any actions required - Fraud risk assessments and pre-payment and post-payment controls to identify and address any instances of fraud, error or non-compliance - Faster payments solution utilised for Covid related grant payments, ensuring same day receipt of funds by recipient.	3	3	9		Director of Finance		
12	Finance	Impact on staff resources undertaking business as usual as well as significant demands to provide the support required to the Covid-19 Pandemic.	Cause(s): 1. Staff directed from 'business as usual' Effect(s): - Less available time and resources to administer functions, leading to an impact on delivery of the Council's key objectives e.g. possible delay in payments made for goods and services, delay in recovering income not received, responding timely to communications. - Complaints / reputational damage - Increased stress amongst existing staff resulting in mental health issues and / or increased levels of sickness	Personnel / Operational	4	3	12	- Regular one to one meetings with staff and ad-hoc conversations to discuss and prioritise workloads, identify and address any areas of concern. HR policies, guidance and occupational health support and advice. - Heads of Finance have been given the option of utilising agency/interim resources to mitigate Covid related workloads - Regular and ongoing publicity of staff wellbeing programme to help identify and address Covid related stress issues	3	3	9		Director of Finance		

Remember to consider current Internal Audit priority one recommendations when identifying, assessing and scoring risks.