

## Finance Risk Register. Gross 'High' (Red) Risks Extract - 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:	15/09/2022
					LIKELIHOOD	IMPACT	RISK RATING	LIKELIHOOD	IMPACT	RISK RATING	FURTHER ACTION REQUIRED	RISK OWNER			
3	Finance	<b>Capital Financing Shortfall</b> Inability to finance the Capital programme	<p><b>Cause(s):</b> Property price reductions as a result of the economic environment. Falling number of assets available for disposal Significant increase in cost of capital schemes due to inflation and supply issues requiring an increase in funding Significant additional costs arising from expected outcome of condition survey Requirement to obtain funding for significant new Housing Schemes Overall capital funding shortfall calculated at £45m as at September 2022</p> <p><b>Effect(s):</b> Financial</p>	Economic - Strategy	5	5	25	<ol style="list-style-type: none"> <li>1. Close monitoring of spend and income</li> <li>2. Reporting to Members</li> <li>3. Tight control of spending commitments</li> <li>4. Quarterly reports on capital receipts (actual and forecast) to Executive.</li> <li>5. Comprehensive Review of Capital programme being undertaken in 2022</li> </ol>	5	4	20		David Dobbs		
4	Finance	<b>Pension Fund</b> The pension fund not having sufficient resources to meet all liabilities as they fall due	<p><b>Cause(s):</b> 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. Pooling of investments (London CIV) may result in appointment of poorer performing investment managers. 8. Uncertainty in financial markets due to Ukraine situation and possible future de-globalisation which can impact on performance</p> <p><b>Effect(s):</b> Financial</p>	Financial - Operational	3	5	15	<ol style="list-style-type: none"> <li>1. Use of external advice.</li> <li>2. Financial: Monitoring of investment returns - analysis of valuation reports</li> <li>3. Demographic: Longevity horizon monitored at triennial reviews - quarterly review of retirement levels</li> <li>4. Regulatory: Monitor draft regulations and respond to consultations - actuarial advice on potential where appropriate</li> <li>5. Internal audit review of activities, performance, controls etc.</li> <li>6. Quarterly reports to Pensions Investment Sub-Committee</li> <li>7. Funding Strategy Statement</li> <li>8. Statement of Investment Principles</li> <li>9. Communications Policy</li> <li>10. Governance Policy</li> <li>11. Triennial valuation by actuary</li> <li>12. Strategic asset allocation review.</li> </ol>	2	4	8		Director of Finance		
5	Finance	<b>Failure to deliver a sustainable Financial Strategy which meets with Making Bromley Even Better priorities and failure of individual departments to meet budget</b>	<p><b>Cause(s):</b> 1. The 2022/23 Draft Budget report to Executive identified the need to reduce the Council's 'budget gap' of £19.5m per annum by 2025/26. The Council received a one-year financial settlement for 2022/23, 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 is expected to be delayed beyond 2023/24 which adds to financial uncertainty in considering the impact on the financial forecast for 2023/24 to 2026/27. Although the ongoing impact of Covid 19 remains, there are new significant changes to the future year's financial position relating to Adult Social Care reforms (potential increase in net costs of between £10m and £15m) and the significant cost increases arising from inflation (highest level for 40 years) which are not reflected in the 'budget gap' identified above. More background is included in the Draft 2022/23 Budget and Update on the Council's Financial Strategy 2023/24 to 2025/26 report to Executive on 12th January 2022 and 2022/23 Council Tax report of 9th February 2022. 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 and high needs transport), 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. Increases in national living wage will have cost implications to the Council over the next few years (e.g. care providers and carers) as well as the increase on national insurance (employers costs). 7. Local government may be required to take on new funding responsibilities in the future without adequate funding. 8. Impact of future 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). 10. Significant increases to inflation which exceeds the 2022/23 budget provision</p> <p><b>Effect(s):</b> - Increased overspends in particular services - Council unable to carry out its statutory duties due to services cuts - Reputational damage</p>	Financial - Operational	5	5	25	<p>Strategic Controls:</p> <ol style="list-style-type: none"> <li>1. Regular update to forward forecast</li> <li>2. Ongoing monitoring of impact of COVID situation and trends re 'new normal'</li> <li>3. Regular analysis of funding changes and new burdens particularly on Covid situation and full year impact</li> <li>4. Early identification of future savings required</li> <li>5. Transformation options considered early in the four year forward planning period</li> <li>6. Budget monitoring to include action from relevant Director to address overspends including action to address any full year additional cost</li> <li>7. Mitigation of future cost pressures including demographic changes</li> <li>8. Quarterly review of growth pressures and mitigation</li> <li>9. Continue to progress with opportunities for the Transformation Reviews towards meeting future years' budget gap.</li> </ol> <p>Operational Controls:</p> <ol style="list-style-type: none"> <li>1. Management of Risks document covering inflation, capping, financial projections etc. attached to budget reports</li> <li>2. Departmental risk analysis</li> <li>3. Reporting of financial forecast updates in year to provide an update of financial impact and action required</li> <li>4. Obtain monthly trend / current data to assist in any early action required</li> <li>5. Obtain regular updates / market intelligence</li> <li>6. Reporting full year effect of budget variations</li> <li>7. Analysis of government plans and changes</li> </ol>	4	5	20	The Council continues to explore transformation opportunities to help meet the ongoing budget gap	Director of Finance		
11	Finance	<b>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</b>	<p><b>Cause(s):</b> 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</p> <p><b>Effect(s):</b> - 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</p>	Financial - Operational	4	5	20	<ul style="list-style-type: none"> <li>- Training, guidance and advice provided to all those involved in administering the schemes (with Internal Audit involvement)</li> <li>- Regular and ad-hoc meetings between key personnel to ensure governance and oversight and agree any actions required</li> <li>- Fraud risk assessments and pre-payment and post-payment controls to identify and address any instances of fraud, error or non-compliance</li> <li>- Faster payments solution utilised for Covid related grant payments, ensuring same day receipt of funds by recipient.</li> </ul>	3	3	9		Director of Finance		

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