

## 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:	04/04/2023
					LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING	FURTHER ACTION REQUIRED	RISK OWNER
3	Finance	<b>Capital Financing Shortfall</b> Risk of significant costs increase in the Capital Programme and possible reductions in proceeds from disposals could impact on the Council's ability to fully fund the Capital programme	<p><b>Cause(s):</b></p> <ol style="list-style-type: none"> <li>Property price reductions as a result of the economic environment could have a negative impact on sale proceeds.</li> <li>Limited scope to identify further Council assets for disposal</li> <li>Significant increase in cost of capital schemes due to inflation and supply issues requiring an increase in funding</li> <li>Significant additional costs and future liabilities across the Council's operational estate arising from any further condition survey liabilities not identified at this stage.</li> <li>Requirement to obtain funding for significant new Housing Schemes and impact of higher borrowing costs</li> <li>In January 2023, a report titled Capital Strategy 2023-24 to 2026-27 and Q3 Capital Programme Monitoring to Executive identified a significant increase in the Council's capital programme and resulting funding proposals given the factors identified above there is a risk that significant changes in cost and proceeds could create a new capital financing shortfall that needs to be addressed. The full funding identified excludes the potential works relating to potential works on the Churchill Theatre and library with proposals expected to be reported to Members later this year.</li> <li>Only limited earmarked reserves available to support the capital programme, once other pressures (inc revenue budget gap) are factored in.</li> </ol> <p><b>Effect(s):</b></p> <p>Without alternative funding, the Council would require drawdown from revenue resources. This would increase the Council's revenue budget gap. Or many schemes would not progress due to lack of funding available although the scope to do this may be limited given the critical nature of some of the works required.</p>	Economic - Strategy	4	4	16	<ol style="list-style-type: none"> <li>Fundamental review of capital programme undertaken to inform updated Capital Strategy 2023/24 to 2026/27 as reported to Executive in January 2023 - this includes full capital programme, approved asset disposals, mitigations and agreed financing options.</li> <li>Regular reporting to Members via SAG, FSG and Executive</li> <li>Tight control and scrutiny [by finance] of capital spending commitments as they reach the level of business case.</li> <li>Quarterly reports on capital receipts (actual and forecast) to Executive.</li> <li>Members have approved PWLB borrowing to refinance existing housing schemes (£50m via PWLB) and the additional option of up to £10m support from the Council's revenue earmarked reserves.</li> </ol>	3	4	12		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></p> <ol style="list-style-type: none"> <li>Investment markets fail to perform in line with expectations</li> <li>Market yields move at a variance with assumptions</li> <li>Investment managers fail to achieve their targets over the longer term</li> <li>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</li> <li>Deterioration in pattern of early retirements</li> <li>Administering authority unaware of structural changes in an employer's membership e.g. large fall in employee members, large number of retirements</li> <li>Pooling of investments (London CIV) may result in appointment of poorer performing investment managers.</li> <li>Uncertainty in financial markets due to Ukraine situation and possible future de-globalisation which can impact on performance</li> </ol> <p><b>Effect(s):</b></p> <p>Financial</p>	Financial - Operational	3	5	15	<ol style="list-style-type: none"> <li>Use of external advice.</li> <li>Financial: Monitoring of investment returns - analysis of valuation reports</li> <li>Demographic: Longevity horizon monitored at triennial reviews - quarterly review of retirement levels</li> <li>Regulatory: Monitor draft regulations and respond to consultations - actuarial advice on potential where appropriate</li> <li>Quarterly reports to Pensions Investment Sub-Committee</li> <li>Funding Strategy Statement</li> <li>Statement of Investment Principles</li> <li>Communications Policy</li> <li>Governance Policy</li> <li>Triennial valuation by actuary</li> <li>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></p> <ol style="list-style-type: none"> <li>The 2023/24 Draft Budget report to Executive identified the need to reduce the Council's 'budget gap' of £29.6m per annum by 2026/27. The Council received a one-year financial settlement for 2023/24, with various funding allocations for 2024/25, creates uncertainty on funding levels for the medium term.</li> <li>The fundamental review of local government funding through the Fair Funding Review and Business Rate review is now expected to be delayed until at least 2025/26 which adds to financial uncertainty in considering the impact on the financial forecast for 2024/25 to 2026/27. Apart from cost/growth pressures relating to SEN, social care and homelessness, the significant cost increases relating to inflation continue for some time and uncertainty on the future timing of the Adult Social Reforms remain. These factors can have a significant impact on the future years' 'budget gap' identified above. More background is included in the Draft 2023/24 Budget and Update on the Council's Financial Strategy 2024/25 to 2026/27 report to Executive on 18th January 2023 and 2023/24 Council Tax report of 8th February 2023.</li> <li>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 (reforms 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.</li> <li>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.</li> <li>Dependency on external grants to fund services (schools and housing benefits are ring-fenced) - effect if grant reduces (Public Health services) or ceases.</li> <li>Increases in national living wage will have cost implications to the Council over the next few years (e.g. care providers and carers).</li> <li>Local government may be required to take on new funding responsibilities in the future without adequate funding.</li> <li>Impact of future welfare reforms and the phased roll out of Universal Credit.</li> <li>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).</li> </ol> <p><b>Effect(s):</b></p> <ul style="list-style-type: none"> <li>Increased overspends in particular services</li> <li>Council unable to carry out its statutory duties due to services cuts</li> <li>Reputational damage</li> </ul>	Financial - Operational	5	5	25	<p>Strategic Controls:</p> <ol style="list-style-type: none"> <li>Regular update to forward forecast</li> <li>Regular analysis of funding changes and new burdens including full year impact</li> <li>Early identification of future savings required</li> <li>Transformation options considered early in the four year forward planning period</li> <li>Budget monitoring to include action from relevant Director to address overspends including action to address any full year additional cost</li> <li>Mitigation of future cost pressures including demographic changes</li> <li>Quarterly review of growth pressures and mitigation</li> <li>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>Management of Risks document covering inflation, capping, financial projections etc. attached to budget reports</li> <li>Departmental risk analysis</li> <li>Reporting of financial forecast updates in year to provide an update of financial impact and action required</li> <li>Obtain monthly trend / current data to assist in any early action required</li> <li>Obtain regular updates / market intelligence</li> <li>Reporting full year effect of budget variations</li> <li>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

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