

Finance Risk Register - Appendix D

DATE LAST REVIEWED: 04/10/2023													
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)			FURTHER ACTION REQUIRED	RISK OWNER
					LIKELIHOOD	IMPACT	RISK RATING		LIKELIHOOD	IMPACT	RISK RATING		
1	Finance	Failure to ensure sufficient cover of Council assets This could result in the possibility of our insurance company refusing to cover a claim above the level of our current excess (£125k for general property and Liability, £250k for educational property).	Cause(s): 1. Incorrect/incomplete asset/risk data provided to insurer. 2. Total level of insurance insufficient e.g. to cover damage to multiple high value assets. 3. Uninsurable risks e.g. criminal/regulatory fines. Effect(s): Inadequate or no insurance cover could have significant financial implications, dependent on the value of the asset and the extent of the damage / loss.	Financial - Operational	1	4	4	1. Annual review during renewal process of all property, vehicle and school journey schedules 2. Maintain a register of all insurance premiums paid each year 3. Independent review of Council's self-insurance Claims fund by professional actuaries every 3 years 4. Endorsement under buildings insurance policy to cover up to £10m for inadvertent omission to insure property 5. Buildings insurance policy excess per event to protect Council for damage to multiple properties as a result of single event e.g. Flood/Storm	1	3	3		Viknesh Gill
2	Finance	Financial Market Volatility Financial loss arising from the volatility of financial markets.	Cause(s): 1. Market volatility 2. Recession 3. Counterparty/banking failure 4. Other geopolitical risks Effect(s): 1. We do not maximise our interest earnings on balances and/or minimise borrowing costs 2. Loss of capital value of investments 3. Liquidity - insufficient cash to settle liabilities as they become due 4. Others losses from variations in Interest rates, exchange rates, Inflation, refinancing 5. Failure to comply with legal and regulatory requirements and/or reputational damage	Financial - Operational	3	4	12	1. Regular strategy meetings 2. Use of external advisors 3. Regular reporting to E.R&C PDS Committee (Members) 4. Compliance with CIPFA Treasury Management Code of Practice and Prudential Code 5. Treasury management strategy developed in consultation with Link Asset Services and agreed annually by Full Council 6. Investment strategy prioritises security first, portfolio liquidity second and then yield/return. 7. Investment strategy includes clearly defined criteria for counterparty credit rating and investment limits (value and duration) 8. Investments are diversified including pooled funds and sovereign bonds, and considers other Council investments (property) 9. Above target returns from pooled funds set aside in earmarked reserve to mitigate future reduced returns/reduction in capital value	2	4	8		James Mullender
3	Finance	Capital Financing Shortfall 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	Cause(s): 1. Property price reductions as a result of the economic environment could have a negative impact on sale proceeds. 2. Limited scope to identify further Council assets for disposal 3. Significant increase in cost of capital schemes due to inflation and supply issues requiring an increase in funding 4. Significant additional costs and future liabilities across the Council's operational estate arising from any further condition survey liabilities not identified at this stage. 5. Requirement to obtain funding for significant new Housing Schemes and impact of higher borrowing costs 6. 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. 7. Only limited earmarked reserves available to support the capital programme, once other pressures (inc revenue budget gap) are factored in. Effect(s): 1. Without alternative funding, the Council would require drawdown from revenue resources. This would increase the Council's revenue budget gap and/or further deplete earmarked reserves. 2. Increased use of external borrowing would add interest cost pressure to the Council's revenue budget along with Minimum Revenue Provision requirements for repayment of borrowing 3. Schemes would not be able to 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 4. Potential requirement to sell operational or income generating investment properties to fund capital costs	Economic - Strategy	4	4	16	1. 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. 2. Regular reporting to Members via SAG, FSG and Executive 3. Tight control and scrutiny (by finance) of capital spending commitments as they reach the level of business case. 4. Quarterly reports on capital receipts (actual and forecast) to Executive. 5. 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.	3	4	12		James Mullender
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. 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 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. Quarterly reports to Pensions Investment Sub-Committee 6. Funding Strategy Statement 7. Statement of Investment Principles 8. Communications Policy 9. Governance Policy 10. Triennial valuation by actuary 11. Strategic asset allocation review.	2	4	8		Director of Finance
5	Finance	Failure to deliver a sustainable Financial Strategy which meets with Making Bromley Even Better priorities and failure of individual departments to meet budget	Cause(s): 1. 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. 2. 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. 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 (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. 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). 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). 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. Regular analysis of funding changes and new burdens including full year impact 3. Early identification of future savings required 4. Transformation options considered early in the four year forward planning period 5. Budget monitoring to include action from relevant Director to address overspends including action to address any full year additional cost 6. Mitigation of future cost pressures including demographic changes 7. Quarterly review of growth pressures and mitigation 8. 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
6	Finance	Failure of Finance IT systems	Cause(s): Failure of Liquidlogic/LIFT/ContrOCC Failure of Oracle Failure of BACs to pay LBB Effect(s): Inability to pay creditors, calculate payments due to our suppliers / foster carers (Payments Team) or to accommodate charging information for billing clients which could result in fines, penalties and loss of goodwill / reputation.	Contractual and Partnership - Operational	3	2	6	1. Liquidlogic/LIFT/ContrOCC has replaced CareFirst for Care Services payments, financial assessments and charging 2. All systems are backed up daily 3. If systems fail, details of previous payments can be used to make payments with reconciliations carried out when the system is made available again. 4. Manual cheque payments could be raised 5. Close liaison with Liberata (and the system support team) to discuss any problems - escalation procedure works well. 6. Alternative printers being available at Xerox reduces the risk of cheques not being produced due to printer failure 7. Stock control measures in place to ensure cheques are ordered in time 8. BACS payments increasing - solid and dependable	2	2	4	Resolution of issues logged relating to Liquidlogic/LIFT/ContrOCC are being monitored closely, and preventative action taken to mitigate risk	Claudine Douglas-Brown
7	Finance	Failure of external contractors	Cause(s): Contractor ceases to trade due financial failings. Effect(s): disruption and delays to key services, financial loss and adverse publicity	Contractual and Partnership - Operational	3	3	9	1. Constant review of contractors financial standing 2. Maintaining knowledge and contact with alternative service suppliers	2	3	6		Claudine Douglas-Brown

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8	Finance	Contractor Poor Performance Contractor fails to meet performance expectations across Revs & Bens, Payroll, Pensions, Debtors, Financial Assessments and Accounts Payable	Cause(s): Severe catastrophic IT problems Loss of key staff Organisation experiencing severe financial problems Effect(s): - Delay / non payment of suppliers, customers, staff salaries, pensions. - Delay in assessment and payment of benefit claims - Increase in fraudulent payments -Delayed or non repayment from debtors -Failure to carry out financial assessments and raise charges in a timely manner Resulting in loss of income, loss of HB Subsidy, increased costs, increase in complaints and subsequent loss of good will and / or reputational damage.	Financial - Operational	3	4	12	1. Effective SLAs and contracts in place with a regime of KPIs, service credits and default notices in place 2. Regular operational and strategic meetings monitoring progress and identifying action required 3. Action identified and formally agreed when monitoring key performance areas 4. Formal structures and procedures in place for monitoring and corrective action to minimise risk 5. Process reviewed on an ongoing basis 6. Weekly monitoring of complaints and patterns identified 7.The contractors performance is scrutinised by Members twice a year at PDS. These reports highlight the level income and services provided. They also report on any performance issues and the action being taken to address the issues.	2	4	8		Claudine Douglas-Brown
10	Finance	Significant Fraud/Corruption	Cause(s): Increased financial difficulties - external customers, suppliers and internal staff Weaknesses in control that individuals can exploit Staff unaware of fraud risks and therefore do not challenge fraudulent internal / external requests Dishonest staff/suppliers/customers Lack of Management oversight or awareness of fraud risks and suitable measures to control these Effect(s): Financial loss Adverse publicity/reputational damage Staff morale lowered Resource implications for investigation	Financial - Operational	4	3	12	1. Staff vetting prior to recruitment 2. Counter Fraud Strategy which sets out managers responsibilities to assess risks in their own areas and implement appropriate controls 3. Financial regulations and local financial procedures with sufficient measures to prevent and detect fraud 4. Whistleblowing policy 5. Fidelity guarantee	3	2	6	1) Fraud Awareness activity 2) Fraud risk assessments 3) Programme of proactive counter fraud work 4) Develop staff training offer	Francesca Chivers