

### 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 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<br>Lead Officer: Adrian Rowbotham & Alan Mitchell  |   |                  |              |              |   |                |            |            |                   |               |               |
| <b>1) Pay Costs</b> <ul style="list-style-type: none"> <li>Largest single item of cost.</li> <li>Complex drivers across the organisation.</li> <li>Staff recruitment and retention.</li> <li>2022/23 National Pay Award was £1,925 (5.8%) and the level of future pay awards remains uncertain</li> </ul> | <ul style="list-style-type: none"> <li>£17.3m total costs.</li> <li>2% pay increase = £346k.</li> <li>Budget assumptions: 2% pay award in all years.</li> </ul> | 4                | 4            | 16           | <ul style="list-style-type: none"> <li>New salary bands introduced from 1 April 2019 which reduced the costs of annual increments.</li> <li>Updated policies on Formal sickness &amp; overtime monitoring.</li> <li>Separate control on agency staff.</li> <li>Part of National Agreement.</li> </ul> | 3              | 4          | 12         | 3                 | 4             | 12            |
| <b>2) Pensions Funding</b> <ul style="list-style-type: none"> <li>Deficit on County Fund.</li> <li>Future actuarial results.</li> <li>Government review.</li> </ul>   | <ul style="list-style-type: none"> <li>£8.78m deficit (March 22)</li> <li>1% change in employers' contribution = £100k</li> </ul>                               | 2                | 4            | 8            | <ul style="list-style-type: none"> <li>£50k included in 2026/27 to contribute towards any additional pensions costs when the next valuation takes place</li> </ul>  | 1              | 3          | 3          | 1                 | 3             | 3             |
| <b>3) Income - Development Management</b> <ul style="list-style-type: none"> <li>Volatile activity levels in the housing market and</li> </ul>  | <ul style="list-style-type: none"> <li>£1.0m loss</li> </ul>  | 4                | 3            | 12           | <ul style="list-style-type: none"> <li>Current year income is above target.</li> <li>Continue to monitor.</li> </ul>  | 3              | 3          | 9          | 3                 | 3             | 9             |

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

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

| Risk Factors   | Potential Effect  | Gross Likelihood | Gross Impact | Gross Rating | Internal Controls   | Net Likelihood | Net Impact | Net Rating | Target Likelihood | Target Impact | Target Rating |
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| SR01: Finance - Failure to deliver a balanced budget<br>Lead Officer: Adrian Rowbotham & Alan Mitchell   |   |                  |              |              |   |                |            |            |                   |               |               |
| 9) <u>Changes in service demand</u><br><ul style="list-style-type: none"> <li>Impacts will vary depending on service.</li> </ul>   | <ul style="list-style-type: none"> <li>N/A</li> </ul>   | -                | -            | -            | <ul style="list-style-type: none"> <li>Service planning in place</li> <li>Continue to lobby Government where changes are due to new Gov't requirements.</li> </ul>  | -              | -          | -          | -                 | -             | -             |
| 10) <u>Interest Rates</u><br><ul style="list-style-type: none"> <li>Large cash variance from small rate changes.</li> <li>Reducing availability of suitable counter parties</li> </ul> | <ul style="list-style-type: none"> <li>Up to £0.188m 23/24 budget</li> <li>£250k per 0.5%.</li> </ul> | 4                | 2            | 8            | <ul style="list-style-type: none"> <li>Use of professional advisers.</li> <li>Internal borrowing used for capital investment projects reduces the balances available to invest which in turn less bank interest earned.</li> <li>Implementation of new investment vehicles to maximise returns</li> </ul> | 3              | 2          | 6          | 3                 | 2             | 6             |
| 11) <u>Investments</u>   |   | 2                | 5            | 10           |   | 1              | 5          | 5          | 1                 | 5             | 5             |



| Risk Factors  | Potential Effect   | Gross Likelihood | Gross Impact | Gross Rating | Internal Controls  | Net Likelihood | Net Impact | Net Rating | Target Likelihood | Target Impact | Target Rating |
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| SR01: Finance - Failure to deliver a balanced budget<br>Lead Officer: Adrian Rowbotham & Alan Mitchell  |  |                  |              |              |  |                |            |            |                   |               |               |
| business rate review but timeline uncertain.  |  |                  |              |              |  |                |            |            |                   |               |               |
| <b>14) Council tax Referendum limits</b> <ul style="list-style-type: none"> <li>Council tax increases limited budgeted at 2.99% per the Autumn Statement.</li> </ul>  | <ul style="list-style-type: none"> <li>£12.1m Council Tax income in 23/24</li> <li>£120k per 1% Government controls on changes in council tax rates</li> </ul> | 4                | 4            | 16           | <ul style="list-style-type: none"> <li>Draft 10-year budget includes council tax increase assumptions for future years.</li> </ul> | 4              | 3          | 12         | 4                 | 3             | 12            |
| <b>15) Future Service Changes by Government</b> <ul style="list-style-type: none"> <li>Additional services without consequent resources, e.g. previous examples of Maint. of trees on common land.</li> <li>Government directives on income charging e.g. Personal searches. Potential changes on health responsibilities.</li> </ul> | <ul style="list-style-type: none"> <li>N/A</li> </ul>  | 4                | 4            | 16           | <ul style="list-style-type: none"> <li>Monitor proposals.</li> <li>Respond to consultations with local view.</li> </ul>            | 3              | 3          | 9          | 3                 | 3             | 9             |

| Risk Factors   | Potential Effect   | Gross Likelihood | Gross Impact | Gross Rating | Internal Controls   | Net Likelihood | Net Impact | Net Rating | Target Likelihood | Target Impact | Target Rating |
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| SR01: Finance - Failure to deliver a balanced budget<br>Lead Officer: Adrian Rowbotham & Alan Mitchell   |  |                  |              |              |   |                |            |            |                   |               |               |
| <b>16) Utility costs incl Direct Services</b> <ul style="list-style-type: none"> <li>Changes in global oil, gas and electricity prices.</li> </ul> | <ul style="list-style-type: none"> <li>10% increase would be £75k</li> </ul>   | 5                | 2            | 10           | <ul style="list-style-type: none"> <li>Negotiate best possible terms in contractual agreements</li> <li>Continue to monitor fuel usage and efficiency.</li> <li>Vehicle replacement programme.</li> </ul> | 5              | 1          | 10         | 5                 | 1             | 10            |
| <b>17) COVID-19</b> <ul style="list-style-type: none"> <li>All areas of income generation</li> <li>Some areas of expenditure</li> </ul>            | <ul style="list-style-type: none"> <li>Loss of income and additional costs</li> <li>1% reduction in income £93k</li> </ul> | 2                | 3            | 6            | <ul style="list-style-type: none"> <li>Continue to monitor and implement savings in 10-year budget.</li> <li>10-year budget to allow for ongoing net service costs.</li> </ul>                            | 2              | 2          | 4          | 2                 | 2             | 4             |