

FINANCIAL RISKS ANALYSIS 2019- 20

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1 EXECUTIVE SUMMARY

- 1.1 The main purpose of this report is to provide a summary of the key financial risks facing the Council.
- 1.2 A number of Council wide risks, both revenue and capital have been identified along with risks for each department and service of the Council. For each departmental risk the financial impact has been quantified and the likelihood assessed based on the standard risk matrix.
- 1.3 There are 5 Council wide revenue risks identified for 2019-20 currently amounting to £3.176m. The risk in relation to the IJB referring to the Council for additional funding has been categorised as possible due to the outturn over the previous two years, however, a financial recovery plan is in place to eliminate or reduce this risk. All other Council wide risks have been classified as unlikely.
- 1.4 There are currently 45 departmental risks totalling £4.926m. Only 2 of the 45 departmental risks are categorised as likely with no risks categorised as almost certain.
- 1.5 The financial risks are monitored routinely and actions put in place to continue to mitigate the risks.

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2. INTRODUCTION

2.1 This report outlines the process and approach developed in carrying out a financial risks analysis and provides a note of the current assessment of financial risks for 2019-20.

3 DETAIL

3.1 Introduction

3.1.1 The Council is currently in a period of significant financial challenge. In developing its budget to address both restricted resources and cost and demand pressures there are a number of financial risks the Council needs to consider and manage.

3.1.2 There are a number of risks that affect the income or expenditure across the whole council and these have been identified. Financial risks have been considered by each department and service of the Council.

3.1.3 For each risk, the financial impact has been quantified and the likelihood assessed based on the standard risk matrix as follows:

- 1 – Remote
- 2 – Unlikely
- 3 – Possible
- 4 – Likely
- 5 – Almost Certain

3.1.4 The Argyll and Bute Integrated Joint Board (IJB) with responsibility for Social Work and a range of Health services was established and came into effect on 1 April 2016. The IJB will be responsible for financial and strategic oversight of these services. It will be the responsibility of the IJB to consider the individual financial risks associated with Integration Services and they are therefore not contained within this report. A Council wide risk has been included in respect of the IJB being unable to deliver the social care service within the budget allocated.

3.1.5 A further financial risks analysis will be carried out to assess the financial risks for 2020-21 as part of the 2020-21 budget setting process. This will be reported as part of the 2020-21 budget pack.

3.2 Council Wide Risks

Revenue

- 3.2.1 The estimated level of council tax income is based on current and forecast Band D equivalents and non-payment rates. This reflects our most recent experience in terms of the council tax base and likely collection rates. A 1% variation in council tax income amounts to approximately £0.480m.
- 3.2.2 At the budget meeting on 21 February 2019, the Council agreed 18 new policy

Capital

3.3.3 The current top three risks in terms of the likelihood are noted in the table below.

SERVICE	TITLE OF RISK	DESCRIPTION OF RISK	LIKELIHOOD	FINANCIAL IMPACT £000
Roads and Infrastructure Services	Ferry Services - Vessel replacement plan.	Ferry fleet vessels are all ageing and will require to be replaced in future years on a rolling basis and according to priorities.	4	620
Education	Central Repairs	Previously agreed savings result in budget for statutory and emergency repairs only.	4	100
Commercial Services	Property - Central Repairs	Increased demands on central repairs as a result of the decrease in capital funding available and increases in supplier/contractor charges.	3	500

3.4 Changes to Financial Risks since October

### 3.5 Monitoring of Financial Risks

3.5.1 Financial risks will be reviewed and monitored on a two monthly basis and will be included in the pack of financial reports submitted to Policy and Resources Committee.

## 4 CONCLUSION

4.1 This report summarises the key financial risks facing the Council. There are a number of Council wide risks and 45 departmental risks identified; only 2 of the 45 departmental risks are categorised as likely with no risks categorised as almost certain. The financial risks are monitored routinely and actions put in place to continue to mitigate the risks.

## 5 IMPLICATIONS

5.1 Policy - None.

5.2 Financial - The financial value of each risk is included within the appendix.

5.3 Legal - None.

5.4 HR - None.

5.5 Fairer Scotland Duty - None.

5.6 Risk - Financial risks are detailed within the appendix.

5.7 Customer Service - None.

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## APPENDICES

Appendix 1 – Detail of Department/Service financial risks.