

Risk Assessment

1. The categories which the council uses to assess its budget risks are set out below:
 - a. demand risks where the level of service provision depends on projections of need. These include children's and adults' care budgets, the temporary accommodation budget, and the waste management budget. There are also likely to be more general demand risks associated with welfare reform such as increased pressure on the housing benefit service;
 - b. risks from new legislation or other statutory changes, where there is some uncertainty about impact on council costs. The key risk relates to the changes to welfare benefits and the potential impact on Housing and other services across the Council;
 - c. risks from legal challenges;
 - d. treasury management risks. Although the council has started to receive payments in respect of the Icelandic deposits this remains a risk. There is also the risk of increased borrowing costs should long-term interest rates rise;
 - e. procurement risks. No allowance has been made for general price increases within the 2014/15 budget. However these pressures should be reduced as a result of the current market situation with opportunities to secure savings through procurement;
 - f. pay risks. Each 0.5% above the amount provided for would cost the council £0.6m;
 - g. grant risks. These include risks arising from changes to grant conditions, the council not meeting grant conditions, or uncertainty about the amount of grant the council will receive. An on-going risk area is the council's housing benefit subsidy claim which is by far the largest single grant claim the council makes. There is also a risk relating to the Education Services Grant which will be announced quarterly during the financial year;
 - h. risks of not achieving savings or income targets in the budget. The council has a good track record of delivering savings included within individual service budgets. However the scale of the savings being delivered provides a significant risk to the Council's financial position in the years ahead;
 - i. asset management risks if corporate or service buildings have to be closed because of current condition;
 - j. risks from natural disasters or terrorist attacks.

2. The risks are quantified in Table 1 below.

Table 1 Major Risks

| | Potential Risk £'000 | Likelihood % | Net risk £'000 |
|--|-------------------------|-----------------|-------------------|
| <u>Demand risks</u> | | | |
| Adult care packages | 6,000 | 20% | 1,200 |
| Children's care packages – incl legal costs | 3,000 | 20% | 600 |
| Waste | 500 | 20% | 100 |
| <u>New legislation and other statutory changes</u> | | | |
| Welfare reform changes | 10,000 | 25% | 2,500 |
| Youth Remand – new responsibility | 500 | 25% | 125 |
| Localisation of Council Tax Benefit | 4,500 | 15% | 675 |
| <u>Interest rate risks</u> | | | |
| Combined potential effect of reduced short term rates, additional borrowing requirement, and bank failure | 5,000 | 20% | 1,000 |
| <u>Procurement risks</u> | | | |
| Risk that cost of social care placements may increase by more than allowed in the budget | 1,500 | 30% | 450 |
| Energy risk – risk of increases in energy prices which cannot be contained in budgets | 500 | 30% | 150 |
| Other procurement risks | 2,000 | 10% | 200 |
| <u>Pay risks</u> | | | |
| Risk that pay increases are above those allowed for in the budget | 600 | 20% | 120 |
| <u>Grant risks</u> | | | |
| Risk of exceeding the threshold on housing benefit overpayments in 2014/15 | 600 | 20% | 120 |
| Risk of amendments to housing benefit subsidy claim | 1,500 | 20% | 300 |
| Risk of loss of income from other grant changes | 2,000 | 20% | 400 |
| <u>Savings/income risks</u> | | | |
| Risk of not achieving savings in the budget | 17,500 | 20% | 3,500 |
| Risk of failing to meet income targets | 2,000 | 20% | 400 |
| <u>Asset management risks</u> | | | |
| Closure of council buildings and need to undertake emergency maintenance or find alternative accommodation | 1,000 | 10% | 100 |
| <u>Major disaster</u> | | | |
| The government has a scheme (the Bellwin scheme) that covers authorities for 85% of | 500 | 30% | 150 |

| | Potential Risk £'000 | Likelihood % | Net risk £'000 |
|--|---------------------------------|-------------------------|---------------------------|
| costs of a major disaster above 0.2% of net revenue budget. The risk to the council is 100% of costs below the threshold and 15% above it. | | | |
| Total General Fund revenue risks | 59,200 | | 12,090 |

Statement by the Chief Finance Officer on the budget and balances

- Under Section 25 of the 2003 Local Government Act I am required to comment on the adequacy of the budget calculation and the level of balances proposed within a budget. The two issues are related. The less prudent the revenue provision and forecasts of demand and risk, the higher the level of balances required to justify the budget calculations. This budget has been carefully prepared, risks have been identified and quantified and, while excessive provision has not been made in the budget, a prudent and cautious approach has been taken. The council also has adopted rigorous budget monitoring arrangements during the year and a policy of restoring balances once used. The combined approach means that a minimum prudent level of balances is £12.0m, which will cover the General Fund revenue budget risks identified over the medium term. As the forecast level of balances as at 31 March 2014 is at this level, no further increase is required for 2014/15.