

# Appendix 11: Budget Risk Assessments

## RISK ASSESSMENTS

### 1. SHORT TERM (2008/09) Risk Assessment (General Fund)

Budget areas	Budget management	Demographic pressures	Inflation risk	Legislation/new duties	Savings delivery	External Funding	Service priority delivery	Total Score
Schools service	0	1	1	2	1	2	1	8
Adults	2	4	3	4	3	3	2	21
Childrens & Families	1	4	3	4	3	3	3	21
Housing	2	3	1	2	0	4	0	12
Safer Communities	2	1	1	1	0	1	3	9
Built	1	1	1	4	1	4	1	13
Property and Regen	2	1	1	0	0	1	0	5
Customer	1	2	1	2	1	1	1	9
Streets	2	1	2	2	2	1	3	13
Parking	4	1	1	3	3	4	2	18
Cultural	1	0	2	0	2	3	3	11
Corporate Res	1	0	1	0	1	1	0	4
Business Services	2	0	1	0	1	1	1	6
Chief Executive	1	0	0	0	0	0	1	2
Housing Benefits	2	3	1	2	0	3	1	12
Interest and finance charges (BU)	1	0	4	0	2	4	0	11

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Risk Key				
High	4	High Impact on Reserves of £1M+	11	£11M
Significant	3	Significant Impact on Reserves of up to £1M	16	£12M
Medium	2	Some Impact on Reserves up to £500k	21	£6.3M
Low	1	Minimal Impact on Reserves up to £100k	41	£2.05M
No Impact	0	No Impact on Reserves	23	0
			112	£31.35M

The following seven risk categories to consider over the short term:

- History of budget management. Ealing has kept to its overall budget in recent years but there have been under and overspends in individual service areas contained within this.
- Demographic pressures. The size and profile of the population of Ealing is changing which will put pressure on resources.
- Inflation risk. These pressures may be greater than those built into the budget.
- Legislation. Local Government is under constant legislative change impacting on the delivery of services and hence costs.
- Efficiencies. The budget for 2008/09 includes £11.3M of cashable efficiencies which will need close monitoring to ensure delivery.
- External funding. Meeting the budget plan is dependent on bringing in income as well as controlling expenditure.
- Priorities. Additional funding (growth) has been put into service priority areas to meet critical targets. These will be closely monitored throughout the year. If the targets are not being met there may be pressure to further increase resources to deliver these priorities.

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## 2. MEDIUM TERM to 2010/11 and beyond Strategic Risk Assessment – Medium Term Financial Standing

This schedule identifies the risks faced by the Council in maintaining its reserves at an acceptable level in to the medium / longer term

Risk Measurement	Low (1)	Medium (2)	High (3)
Financial Impact on MTFS	Up to £0.5 M	£0.5M to £1 M	£1M plus
Likelihood of occurrence	Outside of next 3 years Beyond 2010/11	Within next 3 years Before 2010/11	Within next 2 years Before 2009/10

Risk	Impact	Likelihood	Risk Classification
1. <b>Inflation exceeds current estimates.</b> <u>Mitigation:</u> Monitoring of inflation indices. Identification of funding through budget review process. Procurement policies to drive out contract savings.	3	3	High
2. <b>Pension Fund Deficit.</b> Risk that the strategies in place (change in investment strategy and phased increase in employers contribution) to address the £183M deficit over a 17year period are not effective. <u>Mitigation:</u> Review of Investment Strategy and close monitoring of investment performance.	3	2	Medium/High
3. <b>Potential underforecasting of demographic growth.</b> Service needs may not be able to be met within planned resources as a result of changes in demographics e.g changes in age profile. <u>Mitigation:</u> Budget Review process looking at service demands	3	2	Medium/High
4. <b>Capital receipts not achieved as forecast as a result of failure to sell surplus assets as quickly or at the value expected.</b> <u>Mitigation:</u> close monitoring of disposal and planned rephasing of capital spend.	3	2	Medium
5. <b>Long-term borrowing rates increase above expectations.</b> <u>Mitigation:</u> Prudent budgeting taking into account risks and long-term borrowing at fixed rates.	3	2	Medium
6. <b>Loss or withdrawal of specific grants.</b> <u>Mitigation:</u> lobbying	2	2	Medium

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7. <b>Additional statutory responsibilities with no additional funding to provide these services.</b> <u>Mitigation:</u> lobbying	2	2	Medium
8. <b>Budgeting may not have identified all issues.</b> Pressure on base budgets to deliver current service levels. <u>Mitigation:</u> Rigorous Budget Review Process	2	2	Medium
9. <b>Potential failure to achieve all of the cashable efficiency gains required.</b> <u>Mitigation:</u> Monthly Budget monitoring through 'savings tracker'.	2	2	Medium
10. <b>Potential failure to achieve income targets.</b> <u>Mitigation:</u> Challenge of budgets in Budget Review Process and monthly Budget monitoring	2	2	Medium
11. <b>Reduced level of investment income received as a result of falling interest rates.</b> <u>Mitigation:</u> Prudent budgeting taking into account risks.	2	2	Medium
12. <b>Capping limit for the budget and council tax.</b> <u>Mitigation:</u> policy of minimising council tax rises in MTFS	2	1	Low