

BUDGET RISK ASSESSMENT

Background

1. This document sets out a risk assessment relating to the formulation and approval of the budget for 2008/09 and the revised budget for 2007/08.
2. Members have a responsibility to ensure, in considering the budget, that:
 - It is realistic and achievable and that appropriate arrangements have been adopted in formulating it.
 - The various elements and specific areas of the budget are based on sound assumptions
 - It links to the delivery of the Corporate Plan and achievement of the council's priorities
 - It includes an appropriate statement on the use of reserves and the adequacy of these

Overall Approach

3. The following points are, therefore, drawn to Members' attention in terms of formulating the budget for 2008/09 and revising the budget for 2007/08 in order to provide a degree of assurance on the overall approach:-
 - The integrated approach to service and financial planning provides a robust framework that ensures that the budget reflects the council's priorities, as set out in the Corporate Plan
 - The Member Service & Financial Planning Group has carefully considered and scrutinised growth proposals, commitments, potential savings, efficiencies and additional income to achieve the council's aim of achieving an inflation-only Council Tax increase
 - Heads of Service and Managers have been involved in formulating and agreeing budgets for their service areas and these have been thoroughly reviewed by Corporate Finance staff and the Head of Finance
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 - Known and estimated commitments have been included in the budget, although there will always be uncertainty on actual costs and their timing.

Revenue Budget 2007/08 (revised)

4. In relation to the 2007/08 revised budget, the following key issues are highlighted:
 - Considered assumptions have been made on expenditure in key risk areas such as concessionary fares.
 - Allowances have been made for other estimated costs and income in accordance with the Council's normal processes and the best information

available

- Actual net expenditure on normal business activities could, however, be lower than forecast and rigorous budget monitoring will continue for the remainder of the financial year
 - It would not be prudent to make an allowance for overall net expenditure being lower than the revised budget forecast although, based on previous years' experience, an acceptable tolerance would be up to £250,000. This represents only 2.5% of the net General Fund budget
 - If a lower level of net expenditure arises, the Council will determine whether that money should be kept in reserves, used to support corporate priorities or whether it is needed for any other commitments
 - It is also recognised that the timing of some expenditure could fall after the 31 March. The Council has clear arrangements for considering and approving any budget carry forwards.
5. Therefore, based on the above and unless any exceptional costs arise, the revised budget should be more than adequate to meet anticipated costs and income in 2007/08.

Revenue Budget 2008/09

6. Insofar as the 2008/09 Budget is concerned, the same approach and issues as set out above apply.
7. In addition, a number of key assumptions have been made, specifically in relation to savings, efficiencies and additional income. A prudent but realistic view of what can be achieved has been taken but it has to be recognised that some of these are dependent on factors outside the council's control and relate to services that are demand-led.
8. Therefore, although it is considered that a sound and thorough approach has been adopted in formulating the various expenditure and income forecasts included in the budget, there are risks associated with particular areas, which include:
- Housing Benefits – recovery of overpayments and subsidy claims are subject to audit and potential adjustment/variation
 - Income from fees and charges are subject to external demand and/or national economic conditions e.g. land charges, planning and building control and waste collection services. Deregulation of land charge searches will continue to impact on fee income
 - Concessionary Fares Scheme – further increase in take-up or usage as a result of the new national scheme could result in the budget being exceeded
 - Unexpected costs, such as on planning inquiries or other legal cases can arise. There is an allowance in the budget for potential cases, but there is no certainty as to what actual expenditure will be incurred in the coming year
 - Uninsured losses and other claims that exceed historic levels or arise unexpectedly would not be covered by the budget

- Salary savings from staff vacancies and efficiency savings – there is a fairly significant allowance in the budget, which has been increased for 2008/09. Achieving it is dependent on the number of vacancies that arise. Rigorous scrutiny and management arrangements are in place to take advantage of resulting efficiency opportunities
 - Income from the Local Authority Business Growth scheme is dependent on the growth that actually occurs and that will affect the amounts available for spending on council priorities and/or agreed LAA outcomes
 - Grants towards certain activities, such as the Housing & Planning delivery grant and the Crime & Disorder Partnership are not yet known or finalised. Assumptions have been made in relation to these grants
 - Appropriate allowances have been made on pay awards (3.2%), interest rates (5.25%) and general inflation for certain budgets (2.5%). It should be recognised, however, that the actual position could vary from these assumptions.
9. Overall, the 2008/09 Budget has more risks associated with it than in previous years and that formulating the budget has resulted in a ‘tighter’ set of budget assumptions. Despite that, these risks are considered to be manageable and rigorous budget monitoring will focus on key risk areas.
10. Should additional expenditure, over and above the budget, be necessary, either additional savings will have to be found or more reserves used. Reserves, including those earmarked for specific purposes, are sufficient to cover an increase unless that is very exceptional.

Capital Programme

11. Capital spending plans are based on clear assumptions in relation to sources of capital finance, including estimated levels of Council House sales continuing at a lower rate than in previous years. The revenue implications of the capital programme are fully reflected in the budget. The timing of expenditure has been reviewed to provide a realistic and sounder base of estimated spend in 2008/09, particularly in relation to the General Fund
12. Known demands and projects that meet the council’s corporate aims and priorities are included in the capital programme although other requirements may arise such as any financial contribution towards University Campus Suffolk.

Monitoring and control

13. There is a clear framework for monitoring the budget and the achievement of the efficiencies, savings and additional income included in it with regular reports to the Overview & Scrutiny Committees, various Panels and Boards and senior management. These reports will concentrate on identified risk areas.
14. It is recognised that significant new partnerships and implementing new ways of working can carry financial risks. Arrangements to identify and monitor the risks of existing and any new partnerships are already in place and these will be strengthened as necessary.
15. Following the recent announcement by the Government that the Boundary

Committee looks at Unitary Authority options, the position on shared services and revised structural/governance arrangements for Local Government in Suffolk is being considered further. Some allowance for spending on this (as part of the Suffolk Pathfinder proposals) is included in the budget. Other issues may, however, arise during 2008/09 that require financial consideration.

Conclusions

16. Based on the various elements of this risk assessment, it is believed that the 2008/09 Budget (and the 2007/08 revised budget) is robust and sufficient to meet known needs and priorities. In the event of variations arising, appropriate action will be taken under the council's established financial management arrangements.
17. Should unforeseen increases in expenditure or shortfalls in income arise that cannot be avoided, steps will be taken to ensure any impact on the Council's financial position is minimised by identifying additional savings in other areas of the overall budget. Following that process, the possibility of using reserves would need consideration although unplanned use of reserves should only be considered in exceptional circumstances.
18. If this were to prove necessary, the council's levels of reserves are sufficiently healthy to accommodate reasonable additional demands.

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