

Risks and uncertainties

1. **Pay and price inflation** - this has been assumed generally to be 2.5% per annum, and 2.0% for pay in line with the Chancellor's target. Multi-year pay awards have improved certainty in some areas recently, but inflation in, for example, energy prices has been volatile lately. To the extent that actual pay awards and price increases exceed these levels Heads of Service will have to make offsetting savings to remain within cash limits. *(low risk)*
2. **Interest rates** – the Council's debt profile is such that likely fluctuations in interest rates will not present a serious threat in the medium term. *(low risk)*
3. **Capital receipts** – reliance on property disposals to fund part of the capital programme and to produce revenue savings always introduces some uncertainty, although the Prudential Code now allows flexibility in respect of timing of receipts. Robust project management will be important *(low risk)*
4. **Budget management** – past standards on budgetary control have been good, and it is important that this continues. In the current year, the introduction of new senior member and officer mechanisms for in year financial and performance management have further improved this area. *(medium risk)*
5. **Achievement of savings** – these will be challenging for service heads, who will need to prioritise in order to remain with cash limits. *(medium risk)*
6. **Income** – most of the Council's income budgets are of low volatility, but the results of legislative changes can be unpredictable. *(medium risk)*
7. **Grant claw-back** – a lot of grant income is subject to fairly stringent conditions, and grant claw-back is often a risk if conditions aren't met. The recent RSG amending reports are a disturbing example of grant adjustment in retrospect, in this case because of an error by a Central Government agency. *(medium risk)*
8. **Partnership and partnering arrangements** – carry risks as well as rewards. It is important that these are risk assessed and project managed accordingly. *(high risk)*
9. **New legislation** – can have unpredictable financial consequences. A forthcoming example is the extension of free concessionary fares for over 60's to include those from outside the Council's area. *(medium risk)*
10. **New initiatives and projects** – also carry risks and must be risk assessed and subjected to a 'gateway' process if appropriate. The Council has twelve "High Impact Projects" which are being at Board level. The rate of change presents a capacity challenge for the organisation. *(high risk)*
11. **Service re-organisations and reviews** – such as those involving Children's Services and Leisure Services are assumed to be self financing. *(medium risk)*
12. **Revenue Support Grant** – 2006-07 will be the last of the current two year period of stability. Formula changes after that could be detrimental as key issues affecting the Council will be under review, and it will be important to monitor the work of the Review Group and lobby as necessary. *(high risk)*
13. **Specific Government Grants** – these form a significant proportion of Government funding, and can be volatile from year to year. It is important

Risk Analysis

that service heads have an 'exit strategy' in place to deal with the eventual withdrawal of grant support. This applies equally to other funding streams of a transient nature. (*medium risk*)

14. **Natural disasters** – the Council's reserves provide a buffer against uninsured or uninsurable risks, and could cover the residual revenue costs of a typical 'Bellwin' emergency (if there is such a thing). Having been used, however, they would need replenishing, with a significant consequential impact on future years budgets. (*high risk*)