

Quantification of Risk - General Fund

RISK	£000's	£000's	CURRENT INITIATIVES	POTENTIAL DEVELOPMENT	Probability of increased cost and no alternative saving	Risk Level times probability
	Estimated risk level with current management	Estimated risk left unchecked				
All Departments						
Full savings estimates not achieved and alternatives not found in year/ costs of implementing savings higher than anticipated	500	5,000	Plans required for specific savings. Risky savings specifically monitored. Managers required to adhere to cash limit scheme and financial regulations. Named manager accountable for each saving.		0.1	50
Underlying demand led spend above estimates and income from fees and charges below estimates (excluding demand for specific items set out below)	1,000	3,000	Managers required to manage within budget, in accordance with cash limit scheme. Budget monitoring reports		0.1	100
New spend pressures that cannot be managed within existing budgets	200	1,000	Require managers to bring forward proposals to deal with spend pressures using existing budgets		0.2	40
HOUSING AND COMMUNITY LIVING						
Purchased care - elderly, independent residential & homecare - numbers increase. Demography, homecare/residential switch, market factors	400	2,000	Strategy for Future Living needs of the Elderly. Improving market knowledge. Growth items recognising cost. Monthly monitoring. Invoices via Carefirst. Homecare - Access system. Underspend in current year		0.1	40
Adults physical and learning disability - all placements - nursing, residential, homecare, respite, numbers, longevity, unit costs, market forces	700	2,000	Monthly monitoring. Placement panel. Trend analysis. Joint equipment store. Working with families to encourage independence	Increased working on independent living and reablement	0.1	70
Service changes eg. Residential care to supported living, move to direct payments, transitional period	500	1,000	Restructure within budgets, project manage change process.	Further focus on change management	0.1	50
Joint arrangement/partnering disputes/issues	200	1,000	Monitor agreements and issues arising closely. PCT have undertaken not to 'cost shunt' to Council	Ensure monitoring systems are up to standard of agreement in place	0.05	10
CHILDREN AND LEARNING						
Children's Services						
Looked after Children - numbers of children taken into care & cost of care packages	1,000	2,000	Monthly monitoring of each budget area - no's & spend. Children's Commissioning Strategy with placement panel, block contracting, simplified foster payment system, in-Borough recruitment, prevention team, carer respite		0.1	100
Schools and Academies not wanting LBC services	100	500	Discussions with academies re provision		0.2	20
Pupil numbers cause demands for transport beyond budget	300	600	Active monitoring		0.1	30
Schools deficits	200	200	Working with schools to eliminate deficits. Provision in schools grant budget in agreement with schools forum	Schools budget issue, with reserve as backstop	n/a	
ENVIRONMENT & REGENERATION						
Planning :						
Major planning enquiry	100	400	Specific planning reserve		n/a,	
Eng & Transport :						
Concessionary fares demand exceeds budget	200	500	fixed price agreements within tolerance limits		0.05	10
Parking income falling in recession Parking enforcement not being adequate	200	1,000	Estimates revised in line with performance. Budget monitoring. Within constraints, limited flexibility to invest in service	Ensure signs/lines are up to date. If not, enforcement is difficult & income will fall	0.1	20
Street Services:						
Waste disposal costs	500	1,000	Client agents monitoring. Education of public re recycling/waste issues		0.1	50

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Landfill allowance trading scheme fines/trading requirement	500	3,000	Active waste management to encourage recycling. Waste minimisation strategy	Municipal waste strategy needs to be produced	0.1	50
Weather	300		Reactive - adverse weather increases maintenance requirements/insurance claims etc		0.1	30
COMMERCIAL & TRANSFORMATION SERVICES						
Revenues Service						
Housing Benefit claims - numbers moving out of London	500	5,000	Demand-led - depends on demographics.		0.1	50
Welfare Reform creating more demand for crisis loans etc	500	1,000	Manage to budget as far as possible		0.2	100
Investment properties:						
Unplanned voids/tenant defaults	250		Market for new tenants		0.1	25
Rent reviews delay	25		Resources		0.05	1
CHIEF EXECUTIVES						
Communications						
Staff absence can result in work needing to be sent outside	50		Active management		0.1	5
CORPORATE ISSUES						
Some savings proposals may not be acceptable or implementable at the end of the consultation process	1,000	5,000	Prudent estimates for items subject to consultation. Project leads to ensure consultation considers all angles and that the IIA is properly prepared and fully thought out. Continue to seek efficiency savings through the year		0.2	200
Income reductions/service pressures/supplier defaults arising from the recession	400	1,000	Active budget monitoring		0.2	80
Investments: Interest rates & borrowing rates. Investment performance/ risk of bank default	400	2,000	Continue to review lending list and any alerts from credit rating agencies on a daily basis		0.1	40
Pay awards above budget provision	1,000	1,000	Require managers to manage within existing provision		n/a	-
Insurances - external premium	200		Keep tabs on market		0.05	10
Insurances - claims rise	500		Risk management advice & initiatives. Claims history in charges		0.02	10
Claims against the Council	500	1,000	Approach agreed		0.1	50
VAT Partial exemption	900		Calculated annually Look carefully at new proposals with exempt activity		0.05	45
Inflation levels on services, eg care	1,200		Monitor levels - take a prudent view - fixed price contracts	Managers have to manage within budget	0.05	60
Pension Costs	400	Future years £1m	Minimise early retirements, review costs with actuary		0.05	20
Local Voluntary organisations requiring emergency help	500	1,500	Ensure prioritisation against other budget requirements		0.1	50
Income - debt collection issues	1,000	2,000	Active monitoring by accountancy. Written agreements with 3rd parties. Monthly debt analysis		0.05	50
Partnerships/Joint arrangements result in increased costs	200	400	Active risk management by LBC officers representing the Council in partnerships		0.01	2
Emergencies cause unbudgeted costs	1,000	1,000	Use Bellwin scheme where eligible, actively monitor and minimise costs		0.02	20
Repayment of grants	400	5,000	Log potential	Monitor periodically and address problems	0.05	20
Potential Reduction in Cost						

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Additional Health Service Funding for Social Care used in part for pressures identified in budget	-400	-800	The funding for social care held by the NHS commissioning body will need to be used in agreement with them to focus on key issues for health such as bed-blocking	Development of a written agreement on use of funds	0.30	-120
Specific Contingency						
Fostering Costs	400	800	The current fostering market is generating a risk of considerable additional cost	Plan required for tabling at Executive	0.75	300

Total potential general fund 17,825 50,100

Total **1,688**

As demonstrated in past years, if budget monitoring predictions show a significant overall overspend from a combination of these items a spend moratorium will be introduced to limit the overall level of overspend. Furthermore, for a number of years now the Council has had an underspend significantly greater than the in-year spend pressures.

The likelihood of all these risks occurring in 1 year is limited, though this is taken into account to a degree in the probabilities used

The contingency provision required has to be seen in this context. Based on this, the minimum level of contingency suggested is:

This excludes the separate contingency for energy cost increases.

1,600

The total provision for Contingency and Reorganisation Costs is then built up as follows:

	2012/13 current est £000s	2013/14 est £000s
General Contingency	1,600,000	1,300,000
Specific Contingency - Fostering	-	300,000
Energy Cost increase provision	60,000	67,170
Provision for Reorganisation Costs - Redundancy, Pension strain, etc	2,284,000	3,500,000
Total	3,944,000	5,167,170

In 2012/13, given the level of underspend predicted at the time of writing, the General Contingency is currently held for reorganisation costs

The risks in relation to Council Tax benefit caseload and Business Rates are not general fund risks, but will require review throughout the year and assessment in detail when the Collection Fund is reviewed again for the November estimates.

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