

Estimates 2007-2009 – Risk Assessment

No.	Risk	Likelihood	Impact
1	Central Government policy changes and new legislation may introduce new duties for local authorities.	High – new legislation is always emerging. Recent examples include the smoke free regulations and the national concessionary bus fares scheme. The White Paper will induce further changes in the near future.	Each new initiative scheme will need to be assessed when it is proposed, to gauge the implications and minimise the impact. These will be included on the risk register and appropriate controls will be developed. Where new duties are placed on local government, the cost behaviour of new services will need to be monitored closely to assist control and predict future cost demands.
2	The uptake for the new national concessionary bus fares scheme will be higher than forecast	High – the scheme is changing from April 2008	The budget has been set in accordance forecasts made by specialists predicting the impact on the Norfolk authorities. Costs will need to be monitored closely as a number of factors contributed to spiralling costs the last time the scheme was changed. The special grant covering the new element of the scheme is more transparent than the previous adjustment through the RSG. However this may change after the next comprehensive spending review. Smart cards have been introduced but there is no certainty that they will be used to measure the costs of journeys as equipment would need to be introduced in buses. The costs of the scheme in Norfolk is apportioned between the authorities based on the number of cards issued.
3	Short term funding may be required to deal with any changes resulting from the review of directorate structures.	High – reviews are being conducted.	Early retirement and redundancy costs may arise from the reviews. These will be factored in to the costs to ensure that any changes are sustainable over the medium term.
4	Changes in the settlement calculation, or the way local government is funded	Low – The draft settlement covers the three year period of the comprehensive	Each 1% change in the settlement from 2011-12 from our estimate would have a

	in the future could impact the medium term plan.	spending review until 2010-11.	£116k impact on our projection. This has a compounding effect on future years. 80% of Breckland's budget requirement is funded by the central Government settlement. Funding from the local area agreement has yet to be agreed with Norfolk County Council. An establishment post is currently funded from the local area agreement, which has yet to be agreed with Norfolk County Council. Although Breckland now receives a small Area Based Grant directly this is insufficient to fund the costs of this post. Breckland will need to ensure that in future LAA money is available to continue to fund this post.
5	General economic environment could adversely affect Commercial Property trading surplus	Current performance and management of the portfolio of properties continues to sustain high occupancy levels. However there remains a risk of a general downturn in the UK economy which would have a local impact.	A 1% downturn in income in Commercial Property rental income would reduce the trading balance by £21k. Risk could be mitigated by continuing to diversify the type of assets held
6	Changes in fee income affecting major sources of fee income, such as Development Control, Building Control and Land Searches.	The likelihood varies for each service. Development Control is governed by statutory fees (which are likely to be amended upwards), Building Control and Land Searches are subject to competition, and therefore carry the greater amount of risk. Land search income is especially vulnerable as market share is being lost.	Each 1% drop in income would have the following effect on each of the services: Development Control - £7,950 Building Control - £5,400 Land Searches - £3,350
7	Demand led services can impact the costs - for example Housing Benefits payments.	High – the Council is required by legislation to respond to changes in demand level.	The impact caused by variations in demand have been reduced following the change in the subsidy funding moving from The Revenue Support Grant to direct grant from DWP. However accuracy of processing has an impact on the amount of subsidy received. A reduction of just 1% in subsidy would cost Breckland £308k

8	The inflation factors for major contracts such as Leisure PFI, Environmental Services and ICT may vary from the budget projections	Inflation has tended to be relatively stable in recent years until now. Forecasts indicate that now not the case.	Costs of major projects will be monitored closely and control measures taken to lessen the impact of inflationary increases.
9	Employers' contributions to the pension fund are subject to demographic risks and performance of the fund's investments.	Life expectancy has had an impact on the payments made from the fund. This is compounded as numbers of current members is lower than the number of pensioners and deferred pensioners (former employees who have left the scheme but have not yet retired). Performance of investments has also fluctuated markedly in recent years, creating a high risk, although recent increases have lead to a reduction in the increase in employer contributions.	A 1% change in the contribution rate would impact the estimates by £74k. The changes to the local government pension scheme have removed the 'rule of 85', which will reduce the impact in future years. The next triennial valuation is due in 2010.
10	The new international financial reporting standards will result in changes to the SORP	High – changes to the SORP are expected in the nest two years.	Accounting changes may result in the way the income and expenditure account is required to be reported. Previously the SORP has allowed accounting adjustments to ensure that the re is no impact on the general fund. This may not be the case in the future. A careful review of the proposals will be required to ensure any changes are recognised at the earliest stage.
11	Changes to the way the LAA is administered may result in a reduction for Breckland.	High – new scheme proposals being introduced from 2008-09	Breckland currently has establishment that is directly funded by the LAA. If funding is withdrawn this authority will need to decide whether to fund the posts itself, or to disinvest. Redundancy costs may be incurred.
12	Renewal of major contracts will have a significant effect on the budgets.	Medium – The ICT contract is the next major contract due for renewal in two years, having recently been extended on reduced terms.	ICT Contract – There is a risk that contract prices may change. However this remains a competitive sector and experience of the last two renewals has shown that prices for the delivery of this type of contract can initially go down when contractors change. A provision has been made in earmarked

			reserves to cover the cost of the tendering exercise.
13	A review of our CCTV service provision will require funding for replacement of aging equipment and ongoing running costs.	High – equipment is aging and will need to be updated to meet new technology standards expected by stakeholders.	The costs for equipment replacement and running costs are not yet known as the options are still to be evaluated.
14	Cost inflation and charges exceed the initial unitary charge forecast for the leisure PFI contract	High – Inflation is already higher than the original forecast.	High inflation and an increase in non domestic rates have increased the unitary charge. Negotiations are continuing with the contractor to accept the risk on the rates. Use of the PFI reserve can be used to smooth the impact on the general fund initially. However the scheme should be refinanced at the earliest appropriate opportunity to secure ongoing savings.