

Appendix 6

MANAGEMENT OF RISKS

Ref.	Risks	Commentary and risk mitigation
	Treatment of inflation	General allowance of 4.5% built into forecast for 2012/13 and future years. Cash limiting of non contractual running expenses assumed in 2012/13. Actual increases in inflation exceeding budget assumptions would result in further costs.
2	Partners	The reduction in Government funding will also have a negative financial impact on the Council's health, voluntary sector and other partners. This position will be closely monitored.
3	Containing Growth Pressures within Portfolio Budgets	The real changes included within this report relate to key growth pressures impacting on Portfolios. This excludes many costs pressures contained within departmental budgets which provides increasing difficulties in maintaining key service provision.
4	General reserves	General reserves risk reducing in longer term for supporting capital programme which would also result in reduced investment income for the Council.
5	Formula Grant/Localisation of Business Rates	The Council remains at the grant floor with floor damping of £9.6m in 2011/12 reducing to £6.3m in 2012/13. No future allowance for statutory growth, demographic changes and future capital financing costs are reflected in the future grant levels. Funding will deteriorate beyond 2012/13 but not clear level of further reductions at this stage. The final position will depend on the outcome of the localisation of business rates. Formula Grant is likely to be included in "baseline" for determining net income received by the Council.
8	Limiting council tax increases	Council Tax (Band D equivalent) remains one of lowest in outer London. Secretary of State's assessment of excessive Council tax increases may continue for 2012/13 (capping) limiting flexibility to fund pressures on key services through Council tax increases. Any deemed "excessive" increase, as determined by the Secretary of State will require a referendum in future years to determine if proposed increase is acceptable to residents. Significant costs from rebilling Council tax may be incurred.
9	Savings	Significant savings were identified for 2011/12 with further savings of £11m in 2012/13. There are risks of not achieving potential savings. It is important to mitigate risk by close monitoring and more active management of implementing savings. Also consideration of outcome of consultation could impact on savings achieved.
11	Fuel costs increases	Additional provision of £600k in 2011/12 (included in 2011/12 Central Contingency Sum) rising by £300k per annum but may be additional pressures, increasing costs further.
12	Future schemes in capital programme	Any additional schemes could have an impact on the revenue budget as well as potentially reducing revenue reserves.
13	Pension Fund Deficit	Outcome of recent actuarial valuation was reflected in 2011/12 Budget. Next valuation will be implemented from 2014/15 which could result in further cost pressures.
15	Departmental Risk Analysis	A detailed departmental risk analysis was reported to Executive in February 2011 as part of the 2011/12 Council Tax report.
16	Strength of financial information and reporting	Previous score of 4 for Use of Resources gave assurances of strong financial information and reporting arrangements. Latest Use of Resources assessment would have resulted in ongoing assessment score of 4 (but now ceased).

Ref.	Risks	Commentary and risk mitigation
17	Impact of previous years overspends /under spends	In most cases, the 2011/12 Budget takes into account projected savings/under spends from previous financial year. Further details of cost pressures which may impact in 2012/13 are included in the 2011/12 Financial Monitoring report elsewhere on this agenda.
18	Robustness of medium term plans	The 4 year budget strategy include prudent estimates of spending pressures but uncertainty remains in any longer term financial projections
19	Financial risks of new partnerships and outsourcing	Always a risk of cost pressures through re-tendering to “catch up” with historical higher than general inflation increases in staff costs, and various new statutory obligations. Recent re-tendering has, in general, resulted in cost savings.
20	Flexibility to divert resources	May be opportunity to review utilisation of resources (although may be limited scope) relating to new core grants e.g. NHS funding to support social care.
21	Partnerships/pooling of budgets	The forecast assumes the existing four year plans continue. Pooled budgets include, for example, adults with learning difficulties and joint OT stores. There remains a risk of withdrawal of funding from partners, which could impact on Council’s financial position, particularly where the Council’s services are dependent on part funding from partners (see also 2. above).
22	Collection of Income	The Council collects significant amounts of income. Any variation on current collections levels can have a significant impact on the budget. The state of the national economy impacting on the local economy is likely to continue to have a negative impact on income levels. Close monitoring of overall income levels required to ensure, where needed, early corrective action is required and new improved methods of collection are implemented.
23	Financial Projections over 4 years	<p>The projections are subject to change and should be treated with caution as they reflect estimates of costs for the next four years. Costs tend to move upwards closer to finalising budgets for the following reasons:</p> <ul style="list-style-type: none"> (a) Impact of new Government legislation not known at early stages; (b) Various items remaining uncertain/not quantified which can be quantified once final details are known; (c) Impact of potential further real reductions in government funding given current level of national public debt. <p>Current Government changes which could have an impact on the Council’s finances are shown in Appendix 2. These changes as well as future changes will need to be regularly monitored and assessed to consider the financial impact on the Council.</p>

Appendix 7

Key Documents to consider with Council's Financial Strategy

Document	Examples of information relevant to Council's financial strategy
The Prudential Indicators 2011/12	Reported in the "Capital Review 2010" report to Executive which considers the "affordability" of the capital programme in line with financial strategy.
Local Government Finance Settlement 2011/12	Reported to January 2011 meeting of Executive and represents a two year financial settlement. The report highlighted the ongoing reduction in funding in future years.
Statement of Accounts 2010/11	<p>Pre audit statement of accounts available on One Bromley and examples of information relevant to financial strategy includes:</p> <ul style="list-style-type: none"> (a) Pension Fund solvency level at 84% and the 2010 actuarial valuation set the level of employers contributions required to achieve 100% solvency within 12 years. 2011/12 Budget includes impact of the 2010 actuarial valuation; (b) Details of financial contributions of partnerships which includes, for example, learning disabilities and integrated community equipment with shared gross expenditure of £10.8 million. The Council's contribution to the pooled budget for mental health functions was £1.4m in 2010/11; (c) Details of earmarked reserves of £12.7m as at 31/3/11.
London Borough of Bromley Financial Profile	Gives some historical context and additional background information on formulating the Council's financial strategy. Available in "One Bromley".
Building Maintenance Budgets 2011/12	Reported to Executive in March 2011 with details of planned programme.
Council Tax Report 2011/12	As part of the requirement of the Local Government Act 2003, the Director of Resources set out his view that the Council's process for setting the 2011/12 Budget has been robust and also provides his views on the level and use of reserves. Details of projected level of earmarked reserves are included in the report as well as details of levies (including GLA precept), central contingency sum, council tax base and collection fund.
Financial Regulations	Key document included seeking assurances about competitive tendering of contracts etc. Revisions reported to Council in May 2011.

Document	Examples of information relevant to Council's financial strategy
Risk Management Strategy	Identifies key risks and action to mitigate these risks. Details were reported previously to Executive.
Procurement Strategy	Details were reported previously to Executive and identify a procurement strategy which helps secure value for money for the Council in procurement decisions.
Corporate Asset Management Plan 2007-2012	Reported to Resources Portfolio Holder and includes details of asset disposals and targets for future years.
London Borough of Bromley Capital Strategy	Details the approach to the capital programme and is available in "One Bromley".
Annual Audit and Inspection	Bromley previously achieved a score of 4 (out of 4 – performing strongly) in its annual use of resources assessment (organisational assessment).
Housing and council tax benefit and revenue & exchequer services half yearly monitoring reports to Resources Portfolio Holder	Reports highlight targets and action being taken. The service performance has a direct financial impact on the Council and the strategy adopted is included within these reports.
Treasury Management Strategy 2011/12	Reported to Resources Portfolio Holder and identifies the strategy for managing the significant funds held by the Council.