

To: Governance & Audit Committee
Date: 16 March 2011
Subject: Impact of the Authority's Budget on the Risk Registers
By: Cabinet Member for Finance, John Simmonds
Acting Director of Finance, Andy Wood

Summary: In response to a request at the December 2009 meeting of this Committee, an annual report will be made to this Committee on the impact of the budget proposals on the Risk Registers held by the Council. This report provides a brief update on this for 2011/12

FOR ASSURANCE

Introduction

- 1 At the December 2009 meeting of this Committee, Members requested the inclusion into the Annual Work Plan of a paper on the Impact of the Authority's budget on the Risk Register. This paper provides a brief update on where we are with regard to this for the 2011/12 budget.

Background

- 2 The numerous Risk Registers that exist within the Council are 'live' documents. They are updated as and when there is an 'event' or as the need for changes become evident. One 'event' that has the potential to significantly impact on the Risk Registers is the setting of the annual budget and the Medium term Plan.
- 3 The April 2010 report on this subject to this Committee highlighted the continuous circle of cause and affect between the budget and the Risk registers. Some items will initially present as a risk which we would then respond to and reflect in the budget. These are generally where the issues are outside of our direct control, such as the current state of the economy and the impact on the future finance streams from Central Government. Other issues, which are in our direct control, are more likely to start-out as a budget proposal, which we would then consider the impact on the Risk Register. This thought process is constantly happening as we go through the budget process. Much of that work is below the radar in terms of reporting, but it is an important part of the budget process and is part of the reason why we include the Strategic Risk Register in the MTP.
- 4 The report in April 2010 also made reference to the 'extremely gloomy' financial outlook, and that future years' budgets may increase the risks we as a Council will have to deal with.

- 5 We now know that we have had to find £95m of revenue budget savings for 2011/12. This equates to around 10% of our non-schools budget, and therefore presents a significant financial risk to the Council, that risk being non-delivery of those savings.
- 6 Because of the risk of non-delivery, we are developing a system of reporting progress against each line of these savings to all of the Policy Overview and Scrutiny Committees, and the Budget Informal Member Group.
- 7 The first step in that reporting is identifying the 'owner' of each saving and where the value of that saving is in excess of £0.2m, asking for a Project Initiation Document (PID) to be completed. A copy of the draft PID is attached at Appendix 1. These PIDs will be shared with POSCs as they are signed-off by the responsible officer. Future reporting will then be against those PIDs.
- 8 As well as presenting a financial risk to the Council, some of the savings present the following risks:
 - impact on the risk of us not meeting our stated objectives;
 - potential negative public perception from reductions in service levels;
 - potential impact on front-line services from savings in management structures and support services
 - failure to achieve anticipated income levels and increases in outstanding debt
- 9 These risks will identified in the risk register and assessed through impact assessment before changes are implemented.
- 10 The other possible impact on risk is if we do not properly fund our known pressures and service improvements. We have addressed this through the final approved budget via a rigorous assessment of pressures.

Conclusion

- 11 In short, the biggest risk we now face that we didn't before the budget was approved, is non-delivery of the £95m savings. We have therefore begun a process that should give Members of this Committee assurance that this risk is being managed, and that corrective action will take place as and when necessary. Reporting on this will be through existing Committees and is therefore built-in to the scrutiny process.

Recommendations

- 12 Members are asked to note the process being developed for managing the increased risk as a result of the approved 2011/12 Revenue Budget:

Background Documents: Governance & Audit Committee, 30 April 2010,
Agenda item 9; Impact of the Authority's Budget on
the Risk Registers

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