

Budget Risks

Risk	Detail	Control/Comment
1. Changes to general grant	Revenue support grant and redistributed business rates provide 56% of the funding for net general fund expenditure. Changes to the grant distribution can have a major impact on the Council's finances.	Major changes in the grant system are generally made every three years and usually include measures to protect 'losers'. The Council is able to make representations to Government both directly and through the Local Government Association to attempt to influence the changes which are made.
2.Changes to general grant 'floor'	Under the most recent grant system the Council was assessed as due to receive approximately £800k less than under the previous system. The 'floor' protects the Council from this loss of grant but means that the Council receives only the minimum grant increase each year. The floor is reviewed each year.	The Council can lobby the Government to maintain a high level of 'floor'
3. Unforeseen changes in expenditure and/or income during the year		One reason that the Council maintains reserves is to give some protection against unforeseen changes. A monthly system of budget monitoring is operated to try to identify changes as soon as possible. The Council insures against major known risks such as fire damage, employers and

		public liability
4. Changes in specific grant income	The Council receives large sums each year in specific grants, eg £25m for housing and council tax benefit. The risk is that changes in Government rules or an inadvertent failure to comply with grant conditions might result in a significant loss of income	The Audit Commission have recommended improvements in the way the Council deals with grants and an action plan is being prepared
5. Fraud	Major fraud might cause significant financial loss to the Council as well as weakening public confidence	The Council maintains a system of financial regulations and standing orders to control this risk. The Council maintains an internal audit section to investigate potential risks and advise on best practice
6. Insolvency of Counterparties	The Council might suffer losses in the event of the insolvency of major partners or commercial suppliers. This is a particular risk in relation to investment transactions	The Council has adopted Treasury Management policies to spread and minimize risks in this area. Commercial partners and contractors working for the Council are subject to financial assessment and the size of contract limited by their assessed risk.
7. Changes to Housing Subsidy	The Housing Revenue Account (HRA) makes a net payment of 'subsidy' to the Government. However changes in subsidy rules could increase this payment and worsen the financial position of the HRA (equally changes could benefit the HRA)	The Council can attempt to influence the Government, as with other grants.
8. Pension Fund	The Council contributes to the Essex County Local Government pension fund.	The fund is administered by Essex County Council and Harlow Council has little

	The pension scheme for employees is a defined benefit scheme which means the risk in relation to investment returns and demographic changes falls entirely on the employer.	direct influence. The Council can argue for the maximum spreading of any deficits over periods of years
9. Interest Rates	The Council has no current long term debts but significant investments. Changes in interest rates can have a significant effect on interest income. However much of the interest income is credited to the HRA and there is usually an offsetting change to housing subsidy	The Council monitors interest rates and their effect as part of the budget monitoring process
10. Pay	Employee costs are the largest element of the budget. A large increase in pay rates will adversely affect the Council's budget	For the majority of staff pay is negotiated nationally and the Council can influence but not control the settlement. Through the implementation of the single status agreement and the operation of a systematic evaluation of grading the Council aims to maintain a fair but affordable pay structure.