

RISK ASSESSMENT OF GENERAL BALANCE 2022/23 - DRAFT BUDGET

	AREA OF RISK	CONTROLLABLE BUDGET/MAX EXPOSURE £	Max Exposure	ASSESSED RISK LEVEL	FACTOR	VALUE £	MINIMUM PRUDENT RESERVE £	ASSUMPTIONS
1	Global Economy							
	Inflation on General Supplies & Services Expenditure (non energy)	36,000,000	3.00%	Medium	50.00%	540,000		General budget inflation assumption is 2%, Economic Forecasts have indicated that CPI could peak at 6% in 2022.
	Major Contract inflation	25,000,000	1.00-5.00%	High	50.00%	396,000		Provision for additional inflation risk on contracts over budget provision (Indices vary between Sept 21 - April 22).
	Inflation on Energy Budgets	3,900,000	50.00%	High	50.00%	975,000		Energy budget inflation ranges from 14% to 25%
	Total						1,911,000	
2	Budget Pressures/New Responsibilities							
	On-going 2022/23 Pressures - Red	866,000	100.00%	Medium	15.00%	129,900		In assessing financial demand based pressures the Council models its projections from a range of published data including census data, PANSI and POPPI together with service data. These forecasts are subject to volatility and this allowance provides an additional buffer should these forecasts prove to be insufficient and in year budget measures not be available to offset the financial impact.
	On-going 2022/23 Pressures - Amber	4,409,000	100.00%	Low	7.50%	330,675		
	On-going 2022/23 Pressures - Green	1,776,000	100.00%	Low	5.00%	88,800		
	Total						549,375	
3	High Risk Budgets							
	Homelessness Demand	7,923,870	100.00%	High	20.00%	1,584,774		It is estimated that there will be an increase in the number of households who present as homeless post Covid, as a result of increased evictions. It is anticipated these pressures will be largely offset by achieving targets within the Invest to Save plan (e.g. reduction in average nightly lets, and increase usage of AST).
	Children's Social Care Placements	19,790,000	100.00%	Medium	10.00%	1,979,000		Demand for placements is modelled in line with population growth. Looked After Children numbers have decreased from 388 in April 2021 to 367 in November 2021. However a number of high cost placements have been required. The cost of residential placements can be between £3k and £11k per week.
	ASC Placements	56,346,157	100.00%	Medium	5.00%	2,817,308		Demand Management is key to the mitigation of this risk across Adult Social Care. This includes an effective reablement service to support people to remain in their homes for as long as possible; strength based assessments; utilisation of internal services for complex home care cases and robust processes for agreeing all care and support. Trend analysis and knowledge of service users transitioning to Adult Services is used as the basis for financial planning, however the impact of covid has distorted the demand baseline.
	Total						6,381,082	
4	Efficiency Savings/Productivity Gains							
	Risk Reviewed 2022/23 Budget Reductions & Income Generation - Red	0	100.00%	High	50.00%	0		Risk assessment of each individual saving proposal based on previous experience of delivery rate.
	Risk Reviewed 2022/23 Budget Reductions & Income Generation - Amber	222,000	100.00%	Med	25.00%	55,500		
	Risk Reviewed 2022/23 Budget Reductions & Income Generation - Green	5,034,000	100.00%	Low	5.00%	251,700		
	Total						307,200	
5	Business Rates Funding Risk							
	Business Rates Funding	11,500,000	100.00%	Medium	35.00%	4,025,000		MKC could lose up to 7.5% of their business rate funding (£11.5m) before a safety net applies. The amount of Business Rate income that the Council can retain each year is subject to a number of significant risks including Business Rate appeals and bad debts. Since the retained business system was introduced in 2013/14 this has been a volatile and complex source of income.
	- Growth Assumption							
	- Appeals/Revaluation							
	- Other							
	Total						4,025,000	
6	Emergency Planning							
	Bellwin threshold			Absolute		350,000		
	Risk Allowance for unbudgeted costs			Absolute		1,000,000		
	Total						1,350,000	
7	Income							
	Income from Fees, Charges & Contributions	38,976,000	20.00%	Medium	25.00%	1,948,800		General risk on the collection of fees and charges and impact of on-going Welfare Reforms which could reduce the general public's ability to pay for additional council run services.
	Total						1,948,800	
8	Other							
	Staffing - Increased turnover and wage pressure in a tight labour market	90,000,000	10.00%	Medium	10.00%	900,000		Following a number of significant events there has been a significant tightening of the labour market, leading to greater turnover, more competition for staff and additional costs through the use of interims, additional recruitment costs and pay inflation.
	Insurance Claims					1,000,000		Insurance claims may require additional unbudgeted contributions, above the known level of outstanding claims
	School deficits on academy conversion					500,000		Potential risk of further costs from academy conversion (only applies to schools where academisation is directed by the DfE).
	Major Services Contractor failure resulting in emergency re-provision of statutory services	25,000,000	75.00%	Medium	15.00%	2,812,500		In the event of a major contractor failure the Council may need to implement a range of emergency measures to continue service provision including staff TUPE, spot purchase which would result in unbudgeted expenditure. Risk provision using the largest value contract and assumed price pressure at 15%.

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Emergency unscheduled re-procurement if major services contractor failure					1,000,000		In the event of a major supplier / contractor failure the Council would need to put in place a full re-procurement earlier than anticipated and would need to fund the costs of this process. With major contracts the costs of this are significant.
Health and Safety Breach	2,000,000	100.00%	Low	50.00%	1,000,000		The Council is responsible under current UK legislation for the safety of its staff, customers and contractors covering a diverse range of services and assets. In the event of any significant breach the Council could become liable to pay compensation and fines.
Fines from Regulators including Data breaches under the new GDPR					1,000,000		Maximum fine rose from 500k to 20m Euro's from May 2019. Any fine is likely to reflect our status as public body, but financial liabilities would still apply.
Cyber Security Recovery					2,000,000		This is a key business risk and the costs of recovery following a successful attack could be significant. Incidents at LB Hackney and Redcar and Cleveland have highlighted the financial costs and risks associated with this.
Losing major planning appeal					1,000,000		The Council has a limited reserve for legal costs. Planning appeals represent one of the more significant and likely events which could lead of a material liability in the event of the Council losing a major planning appeal.
Total						11,212,500	
Risk Assessed General Balance Requirement						27,684,957	