

RISK ASSESSMENT OF GENERAL BALANCE 2021/22 - AS AT FEBRUARY 2021

ANNEX T

| 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 | 56,000,000 | 2.00% | Medium | 50.00% | 560,000 | | General budget inflation assumption is 0%, CPI is estimated to be 2% in 2020/21. |
| Total | | | | | | 560,000 | |
| 2 Budget Pressures/New Responsibilities | | | | | | | |
| On-going 2021/22 Pressures - Red | 2,507,000 | 100.00% | Medium | 15.00% | 376,050 | | 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 2021/22 Pressures - Amber | 5,881,000 | 100.00% | Low | 10.00% | 588,100 | | |
| On-going 2021/22 Pressures - Green | 797,000 | 100.00% | Low | 5.00% | 39,850 | | |
| Total | | | | | | 1,004,000 | |
| 3 High Risk Budgets | | | | | | | |
| Homelessness Demand | 8,162,000 | 100.00% | High | 25.00% | 2,040,500 | | New Act creates (a) uncertainty of demand from homeless persons to whom we formerly didn't owe a full duty, but now have a duty to accommodate, and (b) uncertainty of demand arising from new "duty to refer" on other bodies. |
| Children's Social Care Placements | 19,219,000 | 100.00% | Medium | 10.00% | 1,921,900 | | Demand for placements is modelled in line with population growth. Looked After Children numbers have decreased from 404 in April 2020 to 396 in November 2020. However a number of high cost placements have been required. The cost of residential placements can be between £3k and £9k per week. |
| ASC Placements | 51,000,000 | 100.00% | Medium | 5.00% | 2,550,000 | | Demographic demand and cost pressures in Adult Social Care are quantified and managed by a combination of key focus on preventative services, re-enablement to support people to remain in their homes for as long as possible; review of service delivery models and commissioning the most cost effective, best value services; robust processes for agreeing all care and support and trend analysis as basis for financial planning. The budget reflects estimated growth in demand of £1.494m, along with a saving of £0.5m to reflect the specific actions to reduce costs. |
| Total | | | | | | 6,512,400 | |
| 4 Efficiency Savings/Productivity Gains | | | | | | | |
| Risk Reviewed 2021/22 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 2021/22 Budget Reductions & Income Generation - Amber | 689,000 | 100.00% | Med | 30.00% | 206,700 | | |
| Risk Reviewed 2021/22 Budget Reductions & Income Generation - Green | 4,220,000 | 100.00% | Low | 5.00% | 211,000 | | |
| Total | | | | | | 417,700 | |
| 5 Business Rates Funding Risk | | | | | | | |
| Business Rates Funding | 9,404,400 | 100.00% | Medium | 35.00% | 3,291,540 | | MKC could lose up to 7.5% of their business rate funding (£9.4m) 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 | | | | | | 3,291,540 | |
| 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 | 37,655,000 | 15.00% | Medium | 20.00% | 1,129,650 | | 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 | | | | | | 1,129,650 | |
| 8 Other | | | | | | | |
| Brexit | | | | | 4,000,000 | | When the UK leaves the EU, the UK may face significant transitional issues resulting in additional cost pressures (higher inflation) and particular service delivery issues where service providers are reliant on a significant proportion of their workforce from the EU leaving the UK i.e., Adult Social Care |
| Insurance Claims | | | | | 1,000,000 | | Insurance claims may require additional unbudgeted contributions, above the known level of outstanding claims |
| School deficits on academy conversion | | | | | 400,000 | | 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 | 20,300,000 | 5.00% | Medium | 80.00% | 812,000 | | 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. |
| 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. Maximum fine is rising 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. |
| Fines from Regulators including Data breaches under the new GDPR | | | | | 1,000,000 | | |
| Cyber Security Recovery | | | | | 2,000,000 | | This is a key business risk and the costs of recovery following a successful attack could be significant. Recent incidents at LB Hackney and Redcar and Cleveland have highlighted the financial costs and risks associated with this. |
| Losing major planning appeal | | | | | 500,000 | | 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 | | | | | | 11,712,000 | |
| Risk Assessed General Balance Requirement | | | | | | 25,977,290 | |