

RISK ASSESSMENT OF GENERAL BALANCE 2018/19 - AS AT DECEMBER 2017

ANNEX E

	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	75,900,000	2.00%	Medium	50.00%	759,000		General budget inflation assumption is 0%, CPI is estimated to be 2% in 2018/19
	Total						759,000	
2	Budget Pressures/New Responsibilities							
	On-going 2018/19 Demography Pressures	9,186,000	100.00%	Medium	20.00%	1,837,200		Assessment based on the risk of a high growth population area. Specifically around increases in demand for Housing, increase in care costs due to the ageing population, increasing length of stay in residential care (nationally estimated to increase by 2.5% each year), the increased needs of younger adults with learning disabilities due to medical advances and changes in legislation that increases the financial risk for local authorities. National issues of increasing pressure around looked after children still remain.
	On-going 2018/19 General Service Pressures	4,787,000	100.00%	Low	10.00%	478,700		
	On-going 2018/19 Legislative Pressures	733,000	100.00%	Low	10.00%	73,300		
	Housing Bill - Additional homelessness duty					250,000		Upon reviewing the pressures, there is good understanding behind pressure proposals, which supports a low risk of further expenditure required. However, demand continues to increase and the last month has seen above average increases in demand for Children's social care and temporary accommodation. These are still areas of high risk for the Council.
	Total						2,639,200	Current Bill passing through Parliament unopposed but no clarification of responsibilities or information as yet on potential risk exposure
3	Efficiency Savings/Productivity Gains							
	Risk Reviewed 2018/19 Budget Reductions - Red	0	100.00%	High	50.00%	0		Risk assessment of each individual saving proposal based on previous experience of delivery rate.
	Risk Reviewed 2018/19 Income Generation - Red	7,000	100.00%	High	50.00%	3,500		
	Risk Reviewed 2018/19 Budget Reductions - Amber	3,394,000	100.00%	Med	30.00%	1,018,200		
	Risk Reviewed 2018/19 Income Generation - Amber	1,527,000	100.00%	Med	30.00%	458,100		
	Risk Reviewed 2018/19 Budget Reductions - Green	4,943,000	100.00%	Low	5.00%	247,150		
	Risk Reviewed 2018/19 Income Generation - Green	789,000	100.00%	Low	5.00%	39,450		
	Total						1,766,400	
4	Availability of Other Funds							
	Business Rates Funding	11,000,000	100.00%	Medium	25.00%	2,750,000		MKC could lose up to 7.5% of their business rate funding (£11m) 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						2,750,000	
5	Emergency Planning							
	Bellwin threshold			Absolute		350,000		
	Risk Allowance for unbudgeted costs			Absolute		1,500,000		
	Snow Days	50,000		per Day	7	350,000		
	Total						2,200,000	
6	Income							
	Income from Fees and Charges (less new MTFP savings for Charges to Users)	54,000,000	15.00%	Medium	20.00%	1,620,000		General risk on the collection of fees and charges due to the continuing weak economic outlook and on-going Welfare Reforms which could reduce the general public's ability to pay for additional council run services. Grant income which is not yet confirmed could be subject to change and health care income which may vary with individual clients Public health grants are anticipated to continue to reduce by around 2.5% per annum over the medium term. It is assumed that these expenditure reductions will need to be found to offset the reduced income. There is an element of benefits subsidy which cannot be reclaimed, relating to temporary accommodation. If demand increases elements of the subsidy may not be recovered.
	Continuing Health Contributions & Specific grants not confirmed	26,000,000	10.00%	Medium	20.00%	520,000		
	Public health grant reductions - reductions in contractual spend required	1,200,000	100.00%	Medium	20.00%	240,000		
	Benefits subsidy which can't be reclaimed	89,500,000	8.00%	Medium	5.00%	358,000		
	Total						2,738,000	

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7 Other							
Insurance Claims	5,000,000	50.00%	Medium	20.00%	500,000		Insurance claims may require additional contributions, above the known level of outstanding claims
School deficits on academy conversion					400,000		Potential risk of further costs from academy conversion
Recycling Waste Treatment Facility - Income Share not achieved due to a potential number of different factors including capacity, commercial values, or potential breakdown.	1,250,000	100.00%	High	40.00%	500,000		This new facility once commissioned is subject to a number of material risks in respect of income potential. The budget assumes a £1.250m income for 2018/19 but this may not be achieved for a number of different reasons including lack of capacity to sell, market prices on energy and even potential breakdown.
National living wage - Adult Social Care	649,000	100.00%	Medium	10.00%	64,900		Potential additional demand from other providers
Fines from Regulators including Data breaches under the new GDPR					1,000,000		Maximum fine is rising from £500k to 20m Euro's from May 2019
Change Capacity					250,000		Additional capacity is required to manage and implement changes
Total						2,714,900	
Risk Assessed General Balance Requirement						15,567,500	

To be reviewed prior to completion of budget in February 2018:

At this point in the budget process there are a number of significant risks that we cannot yet fully assess due to uncertainty. These risks will be assessed ahead of the final budget being prepared in February at which point a financial assessment will be made, including any risk reserve that might be required.

Recycling Waste Treatment Facility (RWTF)

The service commencement is still subject to the completion of satisfactory Acceptance Testing for a 30 day period. At the time of preparing this assessment this had not been completed. It is currently anticipated that this will be achieved before the start of the new financial year. In terms of the Councils budget this position will be reviewed again prior to the setting of the formal budget and if appropriate a financial risk provision will be made.

Better Care Fund

The MTFP assumptions regarding the BCF are based on confirmation of iBCF funding for three years commencing in 2017/18 (received in March 2017) and funding included in the financial settlement on the existing BCF. The Government has since committed to review 2018/19 iBCF allocations based on progress against delayed transfers of care plan targets (although the methodology and impact is currently unknown). At present, no specific reserve has been allocated to mitigate this risk. This is in part due to service actions to try to manage progress against targets together with the approval of the BCF plan for 2018/19, but this will be reviewed ahead of the final budget in January 2018 when further information regarding the government review will be available.