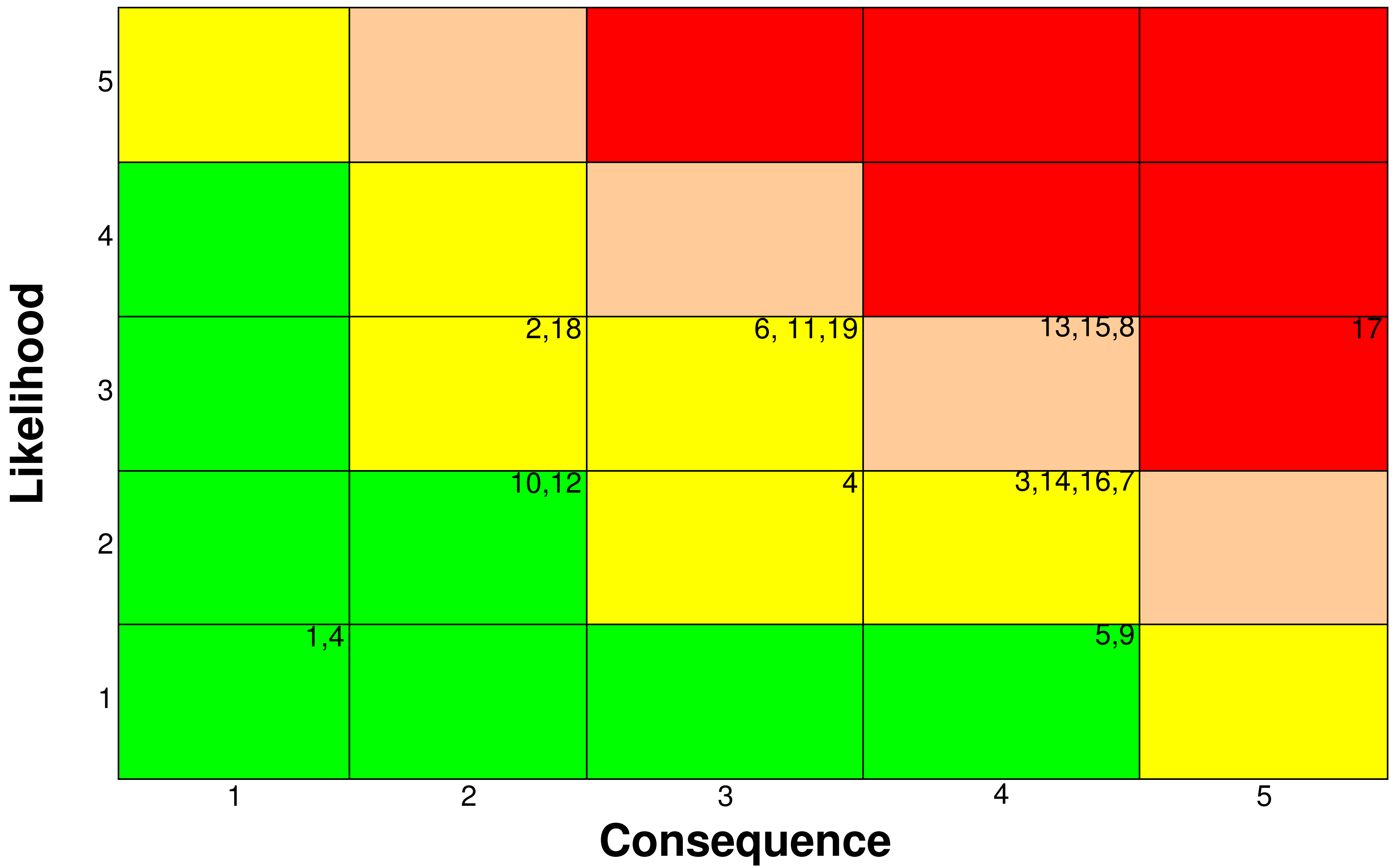
ANNEX M

2018/19 Draft Budget Risk Matrix



No	Risk Title/Description	Control	Residual Risk Level
	Income Risks		
1	Localisation of Council Tax Benefits	A Local Council Tax Scheme has now been in place since April 2013, with collection rates performing well against forecasts. Prudent assumptions have been made in the financial modelling of the Council Tax Base, with regular performance and financial monitoring of the in year impacts.	1
2	The implementation of Universal Credit and further Welfare Reforms	The Revs and Bens service is monitoring the impacts on the service (which includes the financial impacts) of the introduction of universal credit. The next stage of the roll out will start to affect MK in September 2018. From this point on, until March 2022, the estimated monthly decline in the number of working age people receiving housing benefit in Milton Keynes will increase from an average of around 20 a month to 200.	6
3	Impact of the business rates retention funding mechanism	Due to the delays in the processing of backdated business rates appeals by the Valuation Office and the general volatility of business rate income, there is a risk of achieving the annual income target. However, the Revenue and Benefits team are pro-actively working with the Valuation Office to support the development of best practise, in addition to implementing a robust strategy to minimise business rate avoidance and to maximise the overall amount of collectable business rates. Financial modelling of projected income levels and regular income monitoring is undertaken to review the performance against planned levels. This risk has increased following the 2017 revaluations and uncertainty from this and Check, Challenge, Appeal.	8
4	Estimated income from Fees and Charges or new Income Generation schemes is not achievable.	Budgets are set on a prudent basis considering current income being achieved or a robust proposal for new income generation. Regular budget monitoring will identify any deviation from the anticipated income levels. Options for corrective management action will be considered.	1
5	HCA Asset/Tariff could have unforeseen financial liabilities	A Tariff risk reserve has been established to protect the Council to the level of the risk sharing agreement. Due diligence on the assets and Tariff have been undertaken to assess any unknown risks. The risk reserve was reviewed with Department for Communities and Local Government and Homes and Communities Agency and the risk sharing agreement currently remains. An annual review is carried out to reassess the likelihood of any financial risk last completed October 2017.	4

No	Risk Title/Description	Control	Residual Risk Level
6	Parking income lower than anticipated	A further downturn in levels of parking income being achieved will result in shortfall against the parking income budget. This is £16.0m of income to the Council. The level of parking income has not achieved the higher budget targets set since 2015/16 although actual cash has increased since 2015/16. The impact has been significant in respect of Pay & Display and Permits. The 2018/19 budget has been revised based on the latest usage & income trend.	9
7	Better Care Fund	The council currently receives £15.29m BCF and £3.4m iBCF. This funding has been included in the base budget. There are two primary risks relating to this funding: (i) government policy on the future of this funding stream and (ii) how the funding is allocated between Local Government and Health.	8
8	Business Rates reset and move to 100% retention scheme	The business rates system is to be reset in 2020/21. The impact from this is unknown but there is a likelihood that the Council will lose growth that it has earned since the current scheme was introduced. The baseline would also change which in an extreme case could see a swing from the current position of £11m (Growth + 7.5% of baseline income where safety net does not apply). To mitigate the financial risk, surpluses from the Collection Fund are being set aside.	12
	Expenditure Risks (including Demography & Legislation)		
9	Families with no recourse to public funds who acquire leave to remain in the UK are no longer entitled to benefit payments, extending the period during which the council is legally obliged to provide them with financial support	National lobbying to highlight the impact of this new financial burden on local government; close scrutiny and ongoing monitoring of all applications for support; work with individual families to e.g. support adults in obtaining employment.	4
10	Home to school travel financial pressures	Action to address this issue includes: • Robust contract management, better route planning and securing lower contract prices within the home to school travel service school transport. (now dynamic purchasing model being currently procured). • Managing demand for support with home to school travel by introducing more regular reapplication points to check continuing eligibility, rolling out a ‘travel training’ service, reviewing options for discretionary charging and ensuring that travel support is provided in an appropriate but cost effective manner. • Investigating the viability of an innovative new scheme where teaching assistants and other trusted and appropriately checked MKC or school employees are paid to provide one to one or two to one home to school transport by private car and/or through contracting directly with schools to provide transport services.	4

No	Risk Title/Description	Control	Residual Risk Level
11	Increase in demand for children’s social care services as a result of demographic and demand pressures	The anticipated pressures in Children’s Social Care, particularly the cost of placements for children in care due to any increase in care numbers and/or the complexity of individual needs. The draft budget reflects estimated growth in placement costs of £0.590m. The Budget will be closely monitored and managed through the following: Ensuring timely and accurate data collection to inform financial planning assumptions; ensuring that internal and externally commissioned service delivery models are based on robust internal and external information about “what works” and that they deliver best value; continued investment in preventative services, including investment in interventions to prevent entry to care, particularly of adolescents; ensuring that that the Milton Keynes Care System is dynamic and that children and young people are supported to move on to appropriate alternative care arrangements as soon as it is safe and in their best interests to do so.	9
12	Unaccompanied Asylum seeking Children	Nationally, there were 3,680 asylum applications from Unaccompanied Asylum seeker Children (UASC) in the year ending March 2017, a 9% increase compared to the previous year (3,389). Overall, UASC applications represented 13% of all main applications for asylum. Of the 1,747 initial decisions relating to UASC made in the year ending March 2017, 38% were grants of asylum or another form of protection, and 40% were grants of temporary leave (UASC leave). UASC applicants that are refused will include those from countries where it is safe to return children to their families, as well as some applicants who were determined to be over 18 following an age assessment. MK are currently supporting 32 UASC and receives a grant towards the costs of the placements and support for these children. MK is also supporting a further 41 care leavers who are former UASC and for whom we currently receive no additional government funding. There is also the Children's demand led reserve to mitigate this risk.	4

No	Risk Title/Description	Control	Residual Risk Level
13	Homelessness – continuing growth in demand leads to disproportionate cost increases	In the past few years, demand for temporary accommodation for those to whom the council owes a statutory duty has trebled and the supply of permanent council housing halved, giving rise to additional budget pressure of £3.3m. Although the budget provides for both this growth in demand and for sizeable savings from various initiatives, further increases in demand are still a major risk for the Council. Both demand-side (prevention & assisting potentially homeless families to self-serve) and supply-side (securing additional temporary accommodation units and new council housing) solutions are being actively progressed.	12
14	Managing increased demand for Adult Social Care services as a result of demographic pressures	The anticipated pressures in Adult Social Care are quantified and managed through the following. Investment in reablement services. Ensuring timely and accurate data collection to inform financial planning assumptions. Regular review of service delivery models (internal and external) to ensure best value. Commissioning services that are cost effective and achieve best value. Continued investment in preventative services, including re-enablement models, to enable people to remain in their homes for as long as possible. Robust processes for agreeing all care and support. The Budget reflects estimated growth in placement costs of £2.4m, along with a saving of £1.1m to reflect the specific actions to reduce costs.	8
15	Market Sustainability for Adult Social Care Services including impact of the Living wage and new pension responsibilities on providers and increased demand	The increased costs for providers associated with the Living Wage and other legislative changes have been included in pressures where evidence of the pressure on providers costs has been provided. However, these may only partly mitigate the issue and there may be further requests to assist providers with the funding of these pressures. We will continue to negotiate with providers on a case by case basis and where cost pressures are appropriately evidenced, to ensure business continuity.	12
16	Capacity and capability to implement Budget Savings	Controls: Appropriate senior level leadership for proposals; Additional capacity sourced when required; For the medium term, focus on commercial joint vehicle, investment income and shared services to create capacity, pace, opportunity and resilience.	8
17	Delayed Opening of the Residual Waste Treatment Facility	The residual waste treatment facility is due to be completed for full service commencement on the 1st December 2017. Any delay in the commencement of the service will result in additional costs of waste disposal through the continued use of landfill, together with the inability to achieve budgeted income targets.	15

No	Risk Title/Description	Control	Residual Risk Level
18	Residual Waste Treatment Facility Income	The base budget for 2018/19 includes £1.2m income from the residual waste treatment facility. Income levels are on a share arrangement with the operator of the plant, after the achievement of a guaranteed baseline level of revenue. The baseline income composes of a mix of various third party income sources including electricity, government incentives, commodity prices and charging a commercial fee for other waste operators to 'tip' their waste at the MKWRP. The surplus is predicated on the facility achieving better than forecast unit rates, better than forecast performance (which could be better throughout or greater efficiency or volume produced) or a combination of the two in order that there is a net benefit above the guarantee.	6
19	The government's policy of Higher Value Asset sales may result in large levies against the HRA.	The government proposes to require the council to pay a levy based on receipts from sales of "Higher Value Assets", from April 2017. No detail has been provided from which the amount of the levy or the number of sales can be reliably estimated, though a figure of £4m-£8m p.a. is possible. The Council will respond robustly to any consultation on the proposed implementation. Levies may be met from disposals of stock, or from other HRA resources. Options will be analysed and policy and financial plans will be developed once details of implementation are available.	9