ANNEX N

2019/20 Draft Budget Risk Matrix

Likelihood	1	2	3	4	5
5		6			
4					21
3		2,5,18	8,19 20	7,14,16,22	
2		4,11,13		9,12,15,17	3, 23
1	1		10		24

Consequence

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 from 5 December 2018. From this point on, until December 2023, 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 the revaluation and the Check, Challenge, Appeal process.	10
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.	4
5	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 £14m of income to the Council. The demand for parking has declined since 2015/16. Whilst forecasts are in line with current budgets, the impact of the opening of the new shopping centre car park is not yet known. The 2019/20 budget has been revised based on the latest usage & income trend.	6
6	Parking income at new Multi-Storey Car Park	The building of a new Multi Storey car park has been approved. This project is substantially funded from prudential borrowing which is reliant on the parking income received at the new car park to fund the borrowing cost. Whilst high level assumptions have been made on potential income this has not been substantiated. There is a risk that there will not be any new demand for parking in this area or that users will move from existing MKC parking bays. This will result in a shortfall of income.	10

No	Risk Title/Description	Control	Residual Risk Level
7	Better Care Fund	The current BCF equates to £15.64m. In addition, the Council receives £4.4m 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.	12
8	Clients contributions for Adult Social Care are lower than anticipated	Income from client contributions is volatile and can fluctuate significantly dependent on an individual's assets and whether they are assessed as being able to contribute towards the cost of their care. There is a risk that service users who currently fund their care may become the financial responsibility of the local authority in the future once there capital has depleted. The income budget for client contributions is £6.0m	9
9	New Homes Bonus	Potential changes to the New Homes Bonus methodology could impact on the level of funding received by the Council.	8
	Expenditure Risks (including Demography & Legislation)		
10	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.	3
11	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.	4
12	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 due to the increasing number of children requiring support from children and family services. The budget reflects estimated growth in the costs of support required to meet this growth of £0.315m per annum. 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.	8

No	Risk Title/Description	Control	Residual Risk Level
13	Unaccompanied Asylum seeking Children	Section 17 of the Children Act 1989 imposes a general duty on local authorities to safeguard and promote the welfare of children within their area who are in need. Children seeking asylum (UASC) who have no responsible adult to care for them are separated or 'unaccompanied', and are therefore 'in need'. The relevant local authority children's social services department has a gateway duty to assess such children under section 17, and then, almost always, to accommodate them under section 20 of the Children Act 1989t. There has been an increase in the number of UASC nationally in recent years. MK are currently supporting 22 UASC and receives a grant towards the costs of the placements and support for these children. MK is also supporting a further eight care leavers who are former UASC and for whom we currently receive no additional government funding.	4
14	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
15	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

No	Risk Title/Description	Control	Residual Risk Level
16	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
17	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 investment income and shared services to create capacity, pace, opportunity and resilience.	8
18	Residual Waste Treatment Facility Business Rates	The council is liable for the Business Rates from service commencement. The VOA assessed the rateable value but there is a residual risk that all aspects of the plant may not be covered.	6
19	Contamination of Recycling Materials	Contamination of waste at the Materials Recycling Factory (MRF) is higher than that agreed in the contract. This reduces the income the contractor receives for recylates and also increases the costs of managing the plant, resulting in claims to MKC for contamination costs.	9
20	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
21	Brexit	The decision for the UK to leave the EU has a number of risks for the Council's budget . These are detailed in section 11 of the report.	20
	Risks 2020/21 - 2022/23		
22	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 £7m (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. The MTFP also includes an adjustment for prior year growth.	12

No	Risk Title/Description	Control	Residual Risk Level
23	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 the Ministry for Housing, Communities and Local Government and the Communities Agency and the risk sharing agreement currently remains in place. An annual review is carried out to reassess the likelihood of any financial risk, this was last completed in October 2017.	10
24	Fair Funding Review	The Fair Funding review could result in the Council receiving a smaller proportion of total funding.	5