

RISK ASSESSMENT OF GENERAL BALANCE 2019/20 - AS AT DECEMBER 2018

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	68,600,000	2.00%	Medium	50.00%	686,000		General budget inflation assumption is 0%, CPI is estimated to be 2% in 2019/20
	Total						686,000	
2	Budget Pressures/New Responsibilities							Assessment based on the risk of a high growth population area. Specifically around increases in demand for Discretionary Housing payments to minimise the use of temporary accommodation, increase in care costs due to the expanding ageing population, increasing costs for residential care and nursing and direct payments for day care and homecare packages. An estimated increase of 2% in numbers of children requiring support and services. A reduction in car park income due to reduced footfall in CMK and changing work patterns. Renewing Microsoft licences due to change in emphasis to cloud solutions and loss of public sector discount.
	On-going 2019/20 Pressures - Red	2,669,000	100.00%	Medium	20.00%	533,800		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 for Adults and Children's Services and the income from the Residual Waste Treatment Facility has been removed while the resilience test is undertaken which is due to complete March 2020. These are still areas of high risk for the Council.
	On-going 2019/20 Pressures - Amber	1,925,000	100.00%	Low	10.00%	192,500		
	On-going 2019/20 Pressures - Green	2,500,000	100.00%	Low	10.00%	250,000		
	Housing Bill - Homelessness Reduction Act - new duties					500,000		
	Total						1,476,300	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.
3	Efficiency Savings/Productivity Gains							
	Risk Reviewed 2019/20 Budget Reductions - Red	25,000	100.00%	High	50.00%	12,500		Risk assessment of each individual saving proposal based on previous experience of delivery rate.
	Risk Reviewed 2019/20 Income Generation - Red	7,000	100.00%	High	50.00%	3,500		
	Risk Reviewed 2019/20 Budget Reductions - Amber	3,214,000	100.00%	Med	30.00%	964,200		
	Risk Reviewed 2019/20 Income Generation - Amber	158,000	100.00%	Med	30.00%	47,400		
	Risk Reviewed 2019/20 Budget Reductions - Green	1,996,000	100.00%	Low	5.00%	99,800		
	Risk Reviewed 2019/20 Income Generation - Green	705,000	100.00%	Low	5.00%	35,250		
	Total						1,162,650	
4	Availability of Other Funds							
	Business Rates Funding	7,000,000	100.00%	Medium	30.00%	2,100,000		MKC could lose up to 7.5% of their business rate funding (£7m) 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						2,100,000	
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)	55,000,000	15.00%	Medium	20.00%	1,650,000		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.
	Continuing Health Contributions & Specific grants not confirmed	26,000,000	10.00%	Medium	20.00%	520,000		Grant income which is not yet confirmed could be subject to change and health care income which may vary with individual clients.
	Public health grant reductions - reductions in contractual spend required	1,200,000	100.00%	Medium	20.00%	240,000		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.
	Benefits subsidy which can't be reclaimed	83,800,000	8.00%	Medium	5.00%	335,200		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.
	Total						2,745,200	

AREA OF RISK	CONTROLLABLE BUDGET/MAX EXPOSURE £	Max Exposure	ASSESSED RISK LEVEL	FACTOR	VALUE £	MINIMUM PRUDENT RESERVE £	ASSUMPTIONS
7 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	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
Major Services Contractor failure resulting in both emergency re-provision of statutory services and the unscheduled re-procurement of a new contractor.	1,000,000	100.00%	Medium	50.00%	500,000		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 and also need to fund a major re-procurement exercise.
National living wage foundation - Adult Social Care	947,000	100.00%	Medium	10.00%	94,700		Potential additional demand from other providers
Health and Safety Breach	1,000,000	100.00%	Low	50.00%	500,000		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 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
Universal Credit					250,000		May well lead to (a) increased homelessness/threat of homelessness & hence Temporary Accommodation costs, (b) increased bad debt & arrears – rent, council tax & any others, and (c) additional pressure on Discretionary Housing Payments, Local Welfare Provision and Homelessness Prevention Fund budgets.
Change Capacity					500,000		Additional capacity is required to manage and implement changes
Total						7,744,700	
Risk Assessed General Balance Requirement						18,114,850	