ANNEX M

2022/23 Final Budget Risk Matrix

Likelihood \ Consequence	1	2	3	4	5
5		2			
4		11	6	12,19,25	20
3		9	1,5,8,10,13,17,21	14,15	3,18,24
2	23		4	16,22	
1					7

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No	Risk Title/Description	Control	Residual Risk Level
	Income Risks		
1	Council Tax Reduction Scheme Costs	A Local Council Tax Scheme has now been in place since April 2013. The financial impact of COVID-19 has been reviewed and reflected in 2022/23 draft budget. There remains uncertainty over the level of future support that the Council will need to provide through this scheme as the economic recovery continues.	9
2	The implementation of Universal Credit and further Welfare Reforms	The Revenue and Benefits service is monitoring the impacts on the service (which includes the financial impacts) of the introduction of universal credit. With the pandemic the move to universal credit has increased. The drop off in housing benefit caseload is matched by a shift in overpayment recovery with a decrease in recovery from ongoing benefit and increase in the amount of debt being recovered by invoice which has a lower collection rate	10
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. The outcome and impact of this is not known. The Revenue and Benefits team are pro-actively working with the Valuation Office to support the development of best practice, 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. More recently Check, Challenge & Appeals have increased significantly due to COVID-19.	15
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. The 22/23 budgets have been rebased to take account of the recovery from COVID-19. There is a risk the recovery may be less than projected. Options for corrective management action will be considered.	6
5	Parking income lower than anticipated	The level of parking income is significantly lower than the pre-pandemic level. We have modelled an income level for 2022/23 based on activity levels in the summer and early autumn when restrictions had been removed. The budgeted income remains over £4m below pre-pandemic levels. The key risk to achieving this level of income in the short term relates to the re-introduction of any government restrictions to contain the outbreak and spread of COVID-19.	9
6	Parking income at new Multi-Storey Car Park	The new multi storey car park has been completed next to the railway station. This project is funded from prudential borrowing which is reliant on the parking income received at the new car park to fund the borrowing cost. The income estimate has been removed reflecting the sharp reduction on patronage in the area and continuing availability of on-street parking. As a result this has remained closed. A review will need to be undertaken during 2022 to determine what if any further actions need to be taken in light of external factors.	12
7	Better Care Fund	The current BCF equates to £17.593m. In addition, the Council receives £5.995m 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. The government have confirmed funding will continue to 2022/23, although allocations are to be confirmed.	5
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 £7.4m.	9

No	Risk Title/Description	Control	Residual Risk Level
	Expenditure Risks (including Demography & Legislation)		
9	Home to school travel financial pressures	Home to school transport has seen the number of pupils eligible for transport increase by 7.1% from 1,288 in Sept 20 to 1,380 in Sept 21. This level of increase has required new contracts to be procured as a number of the existing contracts are now full. Actions to address this issue includes - continuing to review and amalgamate contracts, targeting independent travel training to older children, recommissioning contracts, transport exceptions and appeals panel, volunteer driver service, a review of out of borough contracts for special educational needs placements and mapping of contracts to be reviewed as they are up for renewal to ensure best possible use of each route for individual schools. For the 2022/23 demand the recent schools census data has been used which shows that there has been an increase of 3.03% in children attending special schools and 1.88% of children attending mainstream schools.	6
10	Increase in demand for children’s social care services as a result of demographic and demand pressures	As at April 21 there were 388 LAC and during the year this has decreased by 21 bringing the total number of LAC to 367 in November 21. There has been an increasing number of referrals and children requiring support from children and family services. There has been an increase in the number of children requiring an external placement as a result of their complexities but also due to the lack of in-house capacity. Actions to address these issues include - ensuring internal and externally commissioned service delivery models are based on robust information, delivering best value, continue to invest in preventative services, ensure 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, create in-house provision, audit high costs placements, carry out reviews of placements and ensure placement planning is completed and ensure applications for health funding contributions are submitted where appropriate.	9
11	Unaccompanied Asylum seeking Children	Local authorities have a duty to safeguard and promote the welfare of children in need within their area. Children seeking asylum (UASC) who have no responsible adult to care for them are separated or ‘unaccompanied’, and are therefore ‘in need’. Local authorities have a gateway duty to assess such children under section 17 and then to accommodate them. The number of UASC nationally has been increasing in recent years. In July 16 the national transfer scheme was introduced so that UASC are no longer necessarily cared for in the local authority in which they first present but instead may be transferred to a local authority with greater capacity. The scheme is based on the principle that no local authority should be asked to looked after more UASC than 0.07% of it's total child population. For MK this would equate to around 50. In MK we are currently supporting 26 UASC which is an increase of 4 since April 21 when there were 22 UASC. The grant towards the costs of the placements and support is paid at a daily rate per UASC.	8
12	Homelessness – continuing growth in demand leads to disproportionate cost increases	Demand remains volatile, and is anticipated to increase as some covid measures ease (for example lifting of restrictions on evictions). Managing cost pressures relies on the success of the investment to save program to manage demand and reduce unit costings in addition to an increase in our prevention offer.	16
13	Social Care Reforms with the introduction of a Cap of £86k, new means testing and local authority commissioning for private payers.	The government have announced reforms to how individuals will pay for 'care costs' from October 2023 including a new Cap of £86k and fundamental changes to remove the differential charging between Council and Private placements. However, at this stage the detail of the scheme has not been developed and therefore the estimated additional costs are unknown as is the level of actual funding that will be received. This is currently rated as a '9' due to the lack of information currently available.	9

No	Risk Title/Description	Control	Residual Risk Level
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 demography pressures of £4m which included anticipated growth in care provision in 2022/23.	12
15	Market Sustainability for Adult Social Care Services including impact of the Living wage and new pension responsibilities on providers and increased demand	Contractual inflations pressures include a fee uplift to care providers to reflect the pressures from the increase in Living Wage. There is a risk of additional financial pressures to the Council if providers request fee uplifts over and above the % uplift offered. This would only be awarded if providers can evidence and provide justification for the request.	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 investment income and shared services to create capacity, pace, opportunity and resilience.	8
17	Contamination of Recycling Materials	Contamination of waste at the Materials Recycling Factory (MRF) is higher than that agreed in the original contract. This reduces the income the contractor receives for relates and also increases the costs of managing the plant, resulting in claims to MKC for contamination costs. A recharge methodology has been agreed with the Contractor with a corresponding budget provision. In 2020/21 further increases to contamination levels arose due to COVID-19 (increased home working and waste tonnages). This provision has been reviewed and increased for 22/23. An action plan is in place to manage this through educations and communications.	9
18	Residual Waste Treatment Facility	The Council has a contract in place with Amey OCD until 2031. The facility is owned by the Council and was designed and built by Amey. If the facility does not perform in line with the business model, there is a risk that the Council could be exposed to financial and service risk in the event of the operator ceasing or increased costs to the Council.	15
	Risks 2022/23 - 2025/26		
19	Inflation	General inflation has been rising sharply over recent months and is currently projected to rise further in the next few months. The current path is not clear and if inflation continues to remain at or above current levels then there is a risk that there will be a sharper increase to the Councils cost base. In 2022/23 we have made budget provision to reflect the recent moves in inflation and price increases to our contracts, energy supply.	16
20	Business Rates Reset	The business rates system was due to be reset in 2022/23 but this is likely to be delayed until at least 2023/24. 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 £11.5m (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.	20
21	Fair Funding Review	The Fair Funding review could result in the Council receiving a smaller proportion of total funding. This has been deferred and there is currently no timeline in place for this.	9
22	HCA Asset/Tariff Risk Reserve	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. The last review was carried out to reassess the likelihood of any financial risk, this was last completed in October 2018. A further review is in progress.	8