

General Fund Revenue Budget 2020/21 - Risk Analysis

ANNEX 1

Ref	Risk	Risk Description	Response	Variation from budget in worst case scenario £000s	Likelihood (1 = low; 5 = high)	Impact (1 = low; 5 = high)	Total Score	RAG Rating
1	Schools budget: DSG Shortfall	The structural overspend in the activities covered by the Dedicated Schools Grant leading to a cumulative deficit of £14.071m at 31 March 2019 and forecast to be over £20m at 31 March 2020. The deficit could exceed the level of the General Fund Balance.	An additional £3.5million per annum is being added to the General Fund and an additional SEND Reserve is being established. The DSG recovery plan is putting actions in place to reduce the annual deficit. The Council are lobbying Government to create a sustainable solution to SEND funding.	6,500	4	5	20	Red
2	Consultation	Consultation on budget proposals results in them being unable to proceed. The risk quantifies the maximum value of proposals still subject to consultation.	Consultation will be carried out as soon as possible and any results leading to proposals being unable to proceed will be reported as part of budget monitoring and appropriate additional in year savings would be identified.	1,045	3	5	15	Red
3	Savings	Due to the continuing reduction in resources, significant overall levels of savings are having to be made again in 2020/21. The increasing challenges of achieving ongoing significant budget reductions creates a risk of budget variations. For example a delay of 1 month to planned savings for 2020/21 across the board would create a financial risk of around £0.6m	The Council will implement its budget readiness process. Progress in delivering savings will be regularly monitored through the year and reported regularly to Finance and Partnerships Committee and Strategic Leadership Team.	600	3	4	12	Amber
4	Parking Service Income	Income received in the parking service is generated by either demand led services such as off-street car parking or residents permits, or by penalty charge notices issued for traffic contraventions. The latter may reduce over time if compliance regarding bus lanes, moving traffic contraventions or parking requirements increases. A further risk is when a bus lane is out of action due to transport and public realm works. A significant reduction in penalty charge notices would mean income falls below the level assumed in the budget. Similarly, if customer behaviour changes significantly in regards to use of off-street car parking or purchase of permits, this may cause income to fall below the budgeted level.	Regular monitoring in year to review the latest position. The Council will complete a strategic parking review to create a sustainable parking strategy.	500	3	4	12	Amber
5	General Economic conditions	National economic uncertainty or economic instability arising from the UK exiting the European Union or other unknown factors, could impact upon the local population's personal finances. If this occurs, the Council will inevitably feel the effect in demand for its discretionary income generating services and also the potential default concerning its statutory charges.	Impact to be monitored through regular budget and performance management. Utilisation of Brexit contingency if required.	350	4	3	12	Amber
6	Property Investment	Delays in agreeing a property investment strategy or the identification of suitable sites for investment would lead to the savings predicated on additional property investment not being delivered. The risk equates to the net saving on additional property investment.	Regular monitoring and review of progress will take place. Detailed business planning and the governance framework for the investment company will be in place.	326	3	4	12	Amber
7	Assets	Delays in decisions of property acquisitions and disposals places a risk of lost rental income and incurring revenue expenditure on the maintenance and upkeep of properties remaining on the portfolio. These range from £0.5k/month to £3k/month on revenue costs and £0.5k/month to £12.5 k/month in rental income	Regular monitoring and review of progress will take place	370	4	3	12	Amber

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8	Children's Social Care Placements	The risk that if further children in the borough require this service costs will rise if their service provision is unable to be mitigated by the various savings strategies of Achieving for Children (AfC) built into the MTFs. The risk assumes a combination of net increases in numbers and increases in costs (over the allocated growth and allowance for inflation) across the different cohorts (Looked after children, court directed legal costs, Leaving care and Unaccompanied Asylum Seeking Children (UASC)). The National Transfer Scheme, the Home Office system for distributing UASC aged under 18, continues to be face unprecedented demand levels. This has resulted in RBK being at or over their set threshold, resulting in higher numbers of young people turning 18 each year. The central support grant received by RBK for UASC young people aged under 18 significantly reduces when turning 18.	Growth of £1.5m has been provided for Social Care placements for 2019/20.	300	3	4	12	Amber
9	Demographic Growth in the elderly population	Risk that budget growth allocated to placements and community based support is insufficient to meet rising demand and cost pressures from the 65+ age group. People are living longer, and presenting with more acuity and complex needs, in particular those with advanced dementia or challenging behaviour. There could be budgetary pressures if demand rises significantly beyond these levels as well as supporting swift hospital discharge and maintaining the Council's position as a high Delayed Transfers of Care (DToc) performer. If the demographic growth would double with respect what has been allowed as growth in community services, the effect would result in a pressure of £100K for the lower needs group. If there was an additional 5 clients (in addition to what is allowed for in the budget) needing a nursing bed, it could result in further pressure of £225k (higher needs group).	Monitor regularly through the Adult Social Care Finance and Performance Board (including mitigation) and reflect any variance in the subsequent year's budget proposals and continue the maximising independence programme.	325	2	5	10	Amber
10	Winter Maintenance & Highway Maintenance	Severe winter weather placing additional spending pressures on winter maintenance, highways maintenance and other budgets across the Council. Weather conditions are impossible to forecast with complete accuracy and there is a risk of increased costs in terms of highway clearance and highway maintenance should extreme weather conditions be experienced in 2020/21	Regular budget and performance monitoring and appropriate responsive actions.	500	3	3	9	Amber
11	Non-pay Inflation	Inflation has been provided within the budget for major service contracts, social care placements, NNDR and electricity. In most cases service contracts apply an inflation index at a specific point in time and so the risk of higher than expected inflation is minimised by this approach. Non-pay budgets not mentioned above have been frozen in cash terms with the expectation that directorates will manage suppliers to keep within budget. The volatility that the economy is currently experiencing places additional risk on those budgets that have not been inflated.	This will be monitored. A small contingency is available should it be required.	350	3	2	6	Green
12	Pay inflation	The local government pay award for 2020/21 has yet to be agreed. An allowance has been made for a 2% increase but unions have requested a pay award of 10%. Should this be agreed, the additional cost would be unbudgeted	The union's claim is subject to negotiation which we will monitor. A small contingency is available should it be required.	2,612	1	4	4	Green

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13	Business Rates	The business rates pooling pilot means that the Council retains 30% of business rates collected (subject to a tariff). Although the budget includes a prudent estimate of business rates income, continued economic uncertainty poses the risk of a downward pressure on resources, including risks concerning business premises closing or being developed and also business rates appeals being higher than anticipated. A 1% reduction in the business rates collected would cause the retained amount to fall by around £0.415m. This would require a reduction in the budget for the following year to make up for any deficit on the collection fund.	Monitor regularly and reflect any variance in collection fund position in the subsequent year's budget proposals	415	2	2	4	Green
14	Council Tax	Council Tax being the main funding source of the net budget exposes the Council to risks such as collection rates and adverse changes in the size of the taxbase. Despite strong collection performance to date, there is a risk of collection of council tax falling due to the difficult financial climate resulting in a deficit on the collection fund which would require reductions in the budget for the following year. A 0.1% reduction in council tax collection equates to £0.1m.	Monitor regularly and reflect any variance in collection fund position in the subsequent year's budget proposals	100	2	2	4	Green
15	Waste Management	Officers have modelled projected tonnage figures and inflation estimates in arriving at the waste management budget for 2019/20 and beyond. However, tonnage projections remain volatile and the risk here is that tonnage exceeds that which has been projected	Monitor regularly and review future growth requirements annually	200	2	2	4	Green
16	Adult Social Care	Growth includes an estimated costs for those expected to transition from children's services. Risk that budget growth allocated to Learning Disabilities and Mental Health is insufficient to meet these rising demand and cost pressures, especially from unknown transition cases.	Monitor regularly and review future growth requirements annually	200	2	2	4	Green
17	Investment	Economic uncertainty could lead to variations in current interest rates earned on investments	The investment income forecast is based on short-term interest rates remaining close to current historical low levels. Based on the estimated average investment balance, a 0.25% variation in the assumed rate for investments, would cause a variation of approximately £75K in revenue costs.	75	3	1	3	Green
18	Borrowing	Risk of exposure to increases in interest rates on external borrowing.	With short-term interest rates much lower than long-term rates, it is likely that the Council will maintain an under-borrowed position, in order to minimise borrowing costs and reduce overall treasury risk by reducing the level of its external investment balances. The Council has previously raised most of its long-term borrowing at fixed rates of interest, so exposure is limited to its LOBO (Lender's Option Borrower's Option) loans which could be "called". A LOBO is called when the Lender exercises its right to amend the interest rate on the loan, at which point the Council can accept the revised terms, or reject them and repay the loan. Current interest rates result in very low probability of a LOBO being "called" which would trigger premature repayment. In 2020/21 a 0.5% variation in LOBO loan interest rates would cause a variation of approximately £230K in revenue costs.	230	1	3	3	Green

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		Budget 2020-21 Budget Risk Total		14,998				
Summary by RAG status and prior year comparator				2020-21 £000s	2019-20 £000s			
		Red risks		7,545	9,545			
		Amber risks		3,271	3,122			
		Green risks		4,182	1,220			
		Budget 2020-21 Budget Risk Total		14,998	13,887			