

General Fund Revenue Budget 2021/22 - 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	General Economic conditions	National economic uncertainty or economic instability arising from the lengthy Covid restrictions that have been imposed in 2020/21, the ongoing effects of 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. This is in addition to the risks around Rates and Council Tax that are highlighted elsewhere in this annex.	Impact to be monitored through regular budget and performance management. Utilisation of Brexit and Covid contingency if required. The continuation of the government's compensation scheme for losses on sales, fees and charges due to Covid for the first 3 months of 2021/22 also helps to mitigate a proportion of this risk.	700	5	3	15	Red
2	Schools budget: DSG Shortfall	The structural overspend in the activities covered by the Dedicated Schools Grant leading to a cumulative deficit of £19.252m at 31 March 2020 and forecast to be over £25m at 31 March 2021. There is a risk that if the DSG deficit exceeds the level of the General Fund Balance it significantly weakens the Council's financial resilience	The DSG recovery plan is putting actions in place to reduce the annual deficit. The Council are actively engaging with Government to create a sustainable solution to SEND funding. A statutory override allows the DSG deficit to be disregarded in a s151 officer's assessment of financial resilience for a period of 3 years.	5,900	4	3	12	Amber
3	UK / EU Trading relationship (Brexit)	There is a continuing risk that prices of goods and services may increase in the next financial year or that supplies of certain goods may be restricted at certain times due to the bedding in of the new arrangements that the UK has with the EU. This is in addition to the impact that Brexit may continue to have on the wider economy and the impact that this could have on Kingston's income streams.	The Council has established a contingency to mitigate the impact arising from Brexit.	1,230	4	3	12	Amber
4	Covid-19	There is a possibility that there may be future outbreaks and that this in turn could mean that further restrictions are imposed and further responsibilities placed on the authority. Although funding has been allocated to meet increased financial pressures associated with Covid, and if further costs were to be incurred there could be further funding to compensate, there is a risk that any funding received would not be sufficient to meet additional expenditure or to compensate for any additional lost income.	Some of the funding received in 2020/21 will be carried forward to meet additional expenditure in 2021/22; also the Government has allocated a further £3.9m in 2021/22.	1,500	4	3	12	Amber
5	Savings Delivery	Due to the continuing reduction in resources, significant overall levels of savings are having to be made again in 2021/22. 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 2021/22 across the board would create a financial risk of around £0.62m	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 Regeneration Committee (currently Response and Recovery Committee) and Strategic Leadership Team.	620	3	4	12	Amber

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6	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 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. The levels of parking impact have been significantly affected by the Government mandated restrictions that have been put in place to deal with Covid and there is a high risk that this impact will continue to be felt for some time.	Allowance has been made in the budget to move the budget more in line with revised expectation of the levels of parking income we expect to receive. Regular monitoring in year to review the latest position. The Council will complete a strategic parking review to create a sustainable parking strategy. The government has put a scheme in place to compensate the Council for a portion of its lost Sales, Fees and Charges income and this will continue into 2021/22.	500	3	4	12	Amber
7	Children's Social Care Placements	There is a risk that if more children in the borough require support that this may not be able to be provided within planned children's services resources. AfC has a number of strategies in place to assist in managing this pressure but ultimately the Council has a statutory duty to ensure that children are safeguarded. The growth that has been built into the budget should allow for some additional demand and inflationary pressures but there is a risk that demand could exceed what has been provided for.	Growth of £0.6m has been provided for demand in Children's services and the changing demands against this budget are regularly reviewed.	300	3	4	12	Amber
8	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 acute and complex needs, in particular those with advanced dementia or challenging behaviour. There could be budgetary pressures if demand rises significantly beyond current levels as well as supporting swift hospital discharge and maintaining the Council's position as a high Delayed Transfers of Care (DToC) performer.	Monitor regularly through the Adult Social Care and Public Health Management Team (including mitigation) and reflect any variance in the subsequent year's budget proposals and continue the maximising independence programme.	325	2	5	10	Amber
9	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 2021/22.	Regular budget and performance monitoring and appropriate responsive actions.	500	3	3	9	Amber
10	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.	190	3	3	9	Amber

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11	Business Rates	Business Rates continue to be very volatile due to the pandemic. London Councils have collectively taken the decision to discontinue the business rates pool for 2021/22 as it was felt that the pooling arrangements would add another level of uncertainty to an already volatile position. Under the the national business rates arrangements 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 due to the pandemic. A 1.5% reduction in the business rates collected would cause the retained amount to fall by around £0.620m. 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	620	3	2	6	Green
12	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
13	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. Underspends in 2020/21 will be transferred to a Collection Fund Risk mitigation reserve. The government has introduced a protection mechanism in response to the Covid impacts whereby 75% of non-recoverable Collection Fund losses will be reimbursed.	100	3	2	6	Green
14	Pay inflation	The local government pay award for 2021/22 has yet to be agreed. An allowance has been made for a 2% increase however should an increase greater than this be agreed then this would be unbudgeted. This is however considered very unlikely given that the Government has called for a freeze on public sector pay.	The union's claim is subject to negotiation which we will monitor. A small contingency is available should it be required.	260	1	4	4	Green
15	Waste Management	Officers have modelled projected tonnage figures and inflation estimates in arriving at the waste management budget. 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

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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 2021/22 a 0.5% variation in LOBO loan interest rates would cause a variation of approximately £230K in revenue costs.	230	1	3	3	Green
Budget 2021-22 Budget Risk Total				13,800				
Summary by RAG status and prior year comparator				2021-22 £000s	2020-21 £000s			
Red risks				700	7,545			
Amber risks				11,065	3,271			
Green risks				2,035	4,182			
Budget 2021-22 Budget Risk Total				13,800	14,998			