

Appendix H(ii): Budget Risks Register 2021-22

TOTAL	40,000	235,000
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Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Financial Impact (range if known) £000's	
						from	to
ALL	Covid 19 additional revenue costs/ loss of income	<p>Additional costs arising from the impact of the Covid 19 pandemic and the consequential loss of income for services exceed the estimates included in the budget. Additional costs could arise from:</p> <ul style="list-style-type: none"> * needing to make further continuity payments to support the market in key service areas such as social care, transport and early years * increased demand to address unmet need in adults and children's social care, domestic abuse, mental health and drug and alcohol services as a consequence of the national lockdown and related restrictions * the impact of changes to the way people access our services such as waste recycling * provision of emergency response services * support for vulnerable residents, local communities and businesses <p>Loss of income could arise from reduced take up of services or council decisions to waive fees to support residents and businesses.</p>	Financial impact of Covid 19 pandemic continues and increases and is not fully compensated by Government. The situation is still too uncertain and unpredictable to quantify at this stage.	Additional unfunded costs that lead to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years. Circa £50m of government emergency grant funding which the government have provided for Covid-19 has already been used to support the 2021-22 revenue budget.	5	0	?
ALL	Capital - additional Covid 19 Costs	Additional costs arising from the Covid 19 pandemic exceed the capital estimates and are not fully reimbursed by Government.	Project costs increase due to additional Covid measures that contractors have to put in place and higher costs passed on by contractors.	Overspend on the capital budget, impacting on future years and borrowing.	5	0	?

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CYPE	High Needs Demand	The Dedicated Schools Grant (DSG) High Needs Block does not meet the cost of demand for placements in schools, academies, colleges and independent providers.	There is an unacceptable deficit on the unallocated Schools Budget (DSG) Reserve. Whilst this has been partially mitigated by agreeing with the Schools' Forum a 1% transfer of the Schools Block into the High Needs Block over three years, which has been submitted to the Secretary of State to approve, this still leaves a material forecast overspend on the high needs budget in 2021-22 and further increases the accumulated deficit on the unallocated Schools Budget (DSG) Reserve. A deficit recovery plan will need to outline how the council intends to address this issue. However it is acknowledged that this is a structural deficit and legislative changes will be required in addition to policy and service changes at a local level. It is also noted that any changes will take time to embed and reduce costs going forward.	The government now requires the total deficit on the schools budget to be carried forward each year and not allow local authorities to offset with general funds without express approval from the Secretary of State. In addition, the DSG deficit should also be held separately from the main council accounts until March 2023. This approach does not resolve how the deficit will be eliminated and therefore still poses a substantial risk to the Council. Without legislative change it is unlikely that local policy changes will reduce the deficit sufficiently. Any reductions to existing funding rates could have an adverse impact on schools, academies, colleges and independent providers. (Continuation of policy of not using general KCC reserves to top up DSG).	5	30,000	40,000
GET	Capital - highways grant allocation	The Highways DfT capital grant allocation is announced at a lower amount than built into the funding assumptions for the capital rolling programme of asset management, replacement and maintenance of all highways assets	Pending decisions on Government Department priorities, the annual Block Maintenance, Integrated Transport and Incentive Fund grants (currently some £33m per annum) are confirmed at a reduced level for 2021-22 (and beyond) resulting in KCC having insufficient funding to continue at current budgeted and approved service/investment levels	A funding gap exists when compared to the budgeted spending plans. Therefore either additional funding would be required, KCC capital programme re-prioritised, or alternatively service levels/spend would need to be reviewed. In light of increased investment in recent years, and with roads/other highways assets continuing to deteriorate due to increasing traffic volumes, the asset management backlog would continue to grow at a quicker rate than currently.	5	5,000	15,000
ASCH	Backlog of Social Care clients	There is a backlog of social care clients awaiting assessment that have been funded by the NHS since the start of the pandemic	As part of the response to the pandemic, the NHS assumed financial responsibility for people discharged into care from hospital. These individuals are due to be assessed to determine who will be responsible for funding their care. This means they may become the financial responsibility of the County Council rather than the NHS or as self funders.	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	5	0	7,000

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S&CS	Corporate Landlord: NHS Properties occupied by ASCH free of charge under prior agreements	NHS Property Services took over management of these properties several years ago and have issued retrospective invoices for rent and service charges. These are disputed by KCC as no agreements are in place to pay rent and service charges.	New leases agreed with NHS Property Services Ltd which are in excess of the budget provision and a settlement is required in relation to backdated charges.	Additional unfunded cost that leads to an overspend on the revenue budget, requiring alternative in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	5	0	1,000
ASCH	Increased cost of care packages for service users due to price and need	Demographic assumptions relating to the price, number and complexity of care packages for adult social care clients are greater than budgeted	Insufficient budget for changes in the cost of care packages	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	5	0	?
ALL	Capital - Developer Contributions	Developer contributions built into funding assumptions for capital projects are not all banked.	Developer contributions are delayed or insufficient to fund projects at the assumed budget level.	Additional unbudgeted forward funding requirement and potential unfunded gaps in the capital programme	4	0	28,747
ALL	Capital - Building Inflation	Capital project costs are subject to higher than budgeted building inflation.	Increase in building inflation above that built into business cases.	Capital projects cost more than budgeted resulting in an overspend on the capital budget.	4	0	2,100
GET	Revenue - drainage	Persistent heavy rainfall and more frequent storm events mean insufficient revenue and capital budget to cope with the reactive and proactive demands on the service	Following a £2.2m overspend in 2019-20 and a forecast £1.4m overspend in 2020-21 on the revenue drainage budget, the base budget for 2021-22 is being increased by £1.25m. It is not being funded at the level of the overspends on the basis that the past two years have been excessively bad in terms of rainfall and storm events. The risk is that this weather pattern continues and additional unbudgeted funding required.	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves	4	0	2,000
GET	Coroners restructure of service	Significant one-off costs required if service transforms to one Senior Coroner led jurisdiction as opposed to the current multiple Senior Coroners structure	Service implements new structure that will have a number of one-off costs associated with the restructuring of the service	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	4	0	500
S&CS	Highways unadopted land	Maintenance costs for residual pieces of land bought by Highways for schemes and subsequently tiny pieces not required or adopted.	Work becomes necessary on these pieces of land and neither Highways or Corporate Landlord have budget to pay for it.	Work needs to be completed whilst estates work to return the land to the original landowner	4	0	50

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ALL	Non Delivery of Savings	Changes in circumstances due to covid or other factors such as delayed elections, result in delays in the delivery of agreed savings	Inability to progress with savings plans as scheduled due to changing circumstances	Overspend on the revenue budget, requiring alternative compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	3	0	22,200
ALL	Capital - Capital Receipts	Capital receipts not yet banked are built into the budget to fund projects.	Capital receipts are not achieved as expected in terms of timing and/or quantum.	Funding gap on capital projects requiring additional forward funding.	3	0	11,930
ALL	BREXIT and EU Transition	The Council requires full reimbursement from Central Government for the additional costs in preparing for BREXIT and dealing with potential significant disruption during the transition period	Full cost reimbursement not received from government. The grants received to date in 2018-19 and 2019-20 have not been sufficient to cover the council's additional spending on BREXIT preparations (£1.2m anticipated shortfall over the two years)	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves	3	5,000	7,000
ASCH	Underlying cost pressure in operational care budgets in 2020-21	3 areas with underlying cost pressures, PD Residential & Supported Living, MH Residential & Supported Living & OP Homecare (partly arising from the impact of Covid) This could include pent-up demand that has not been addressed during Covid-19 lockdowns and/or supporting clients who become eligible for support due to complications arising from lockdown	Cost pressures are not reduced by year end and continue into 2021-22 with an even greater full year cost	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	3	0	3,283
Non Apportionable	Loss of Investment Income	Investments can go down as well as up. For 2021-22 and future years investment income will reflect lower interest rates and reduced dividend income from pooled funds. Rates are likely to be at current levels for some time to come. Extent and timeframe of impact of Covid-19 on financial markets uncertain.	Performance of our investments falls below predicted levels as a result of external factors such as impact of Covid-19 on the economy	Reduction in investment income and fall in capital values leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves Potential recurring budget pressure for future years.	3	0	3,000
CYPE	Troubled Families	The Government grant allocation for KCC for 2021-22 has not been confirmed. Commitments total £2.952m.	There is a risk that the service is unable to reduce costs sufficiently to match the reduced level of grant funding and achieve the Government's expected outcomes.	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	3	0	2,952

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S&CS	Uplift in Public Health Grant	It is anticipated that additional costs relating to NHS Pensions will be passed through to commissioners of Public Health services from 2021-22 onwards. This would be in addition to NHS pay increases and the costs associated with the transfer of responsibility around PrEP.	The increase in the Public Health grant is less than these increases in costs to Public Health.	(i) Public Health reserves would be exhausted (ii) Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves.	3	0	2,642
CYPE	Change for Kent Children Programme (Service Integration)	The programme is reliant on recruiting and retaining sufficient newly qualified social workers and foster carers	Inability to recruit and retain sufficient newly qualified social workers resulting in continued reliance on agency staff, at additional cost. Inability to recruit and retain sufficient foster carers resulting in continued reliance on external commissioned placements, at additional cost.	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	3	0	2,400
CYPE	SEN Reprourement	Restructure and retender the SEN network and development of hub pick up points	Total savings are not in line with initial estimates. The reprourement coincides with the SEND OFSTED reinspection process resulting in possible delays	Additional unfunded cost due to delay or non-delivery of saving that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	3	0	2,100
GET	English National Concessionary Travel Scheme (ENCTS) journey levels	ENCTS journeys are not expected to return to their pre-Covid-19 levels for 1-2 years and a £2m reduction has been reflected in the MTFP	Activity levels return to a level of journeys in excess of the revised budget, therefore causing a financial pressure.	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	3	0	2,000
Non Apportionable	Unexpected cash flows	Unexpected costs such as Covid-19 which have not been allowed for in the cash flow forecasts	Value of payments exceed the cash balances available	Short term borrowing required that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves.	3	0	1,000
S&CS	Making temporarily closed buildings covid secure	The Council may come under public pressure to open up more buildings which are currently closed, as restrictions relax. These will need to be made Covid secure	Decision made to open buildings that are currently closed that then need to be made Covid secure	Increased unfunded Facilities Management and utilities costs that lead to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	3	0	350

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ASCH	Market Sustainability	The long term impact of Covid-19 and long term concerns about the sustainability of the adult social care market particularly residential and nursing care provision is unknown but is likely to require significant reshaping	If occupancy levels fall below an affordable level, providers will look to the council to potentially pay more for beds to compensate for loss of self funders. Significant market reshaping will require funding to make changes in the type and range of care provided	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	3	0	?
ASCH	Sleep in Nights	Court of Appeal ruling in favour of MENCAP that sleep nights do not constitute paid work and thus are not subject to requirement to comply with National Living Wage is overturned by the Supreme Court. The new contracts provide for sleep nights from April 2020 so the risk only remains if this Court of Appeal rules that this needs to be backdated.	UNISON has already lodged an appeal to the Supreme Court which results in a ruling that directs us to pay higher than budgeted sums for sleep in nights	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	3	0	?
ALL	Capital Costs	Pre-Capital Works Expenditure.	Capital project doesn't proceed as planned and capital costs are transferred to revenue.	Aborted capital cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves.	3	0	?
ALL	Inflation	The Council must ensure that the Medium Term Financial Plan (MTFP) includes robust estimates for spending demands.	Inflation rises above the current MTFP assumptions.	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	3	0	?
ALL	Demand	The Council must ensure that the Medium Term Financial Plan (MTFP) includes robust estimates for spending demands.	Demand for business as usual services exceeds the budget available e.g. children's social care, older people, waste, public transport, coroners etc.	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	3	0	?
CYPE	Capital - Basic Need Allocations	Estimates of future basic need allocations are included in the capital programme.	Basic need allocations are less than expected.	Funding gap for basic need projects which will need to be funded either by reprioritising the capital programme or by additional borrowing with a consequential unbudgeted impact on the revenue position of the costs of borrowing.	2	0	12,682
ALL	VAT Partial Exemption	KCC VAT Partial Exemption Limit is almost exceeded.	Additional capital schemes which are hosted by KCC result in partial exemption limit being exceeded.	Loss of ability to recovery VAT that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	2	0	8,700

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GET	Investment in the Public Rights of Way (PROW) network	Insufficient funding to adequately maintain the PROW network	Condition of the PROW network suffering from under-investment. A modest £150k allocation has been included in the 2021-22 but additional one-off and base funding is likely to be needed for a service that is already operating at funding levels below recommended asset management levels. This has been further exacerbated by the increased usage arising from the covid related restrictions and national lockdown	The potential for claims against the council due to injury and from landowners and the need to undertake urgent works that lead to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves.	2	0	2,000
Non Apportionable	Internal Borrowing	Inability to continue with the policy of internal borrowing leading to the need to revert to external borrowing	Cash balances are insufficient to cover both our borrowing requirements and our daily cash flow needs	Increased costs of borrowing that lead to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	2	0	1,000
S&CS	Backlog of maintenance for properties transferring to Corporate Landlord	Maintenance backlog historically funded by services from reserves or time limited resources which have been exhausted. Properties that have been transferred to the corporate landlord require investment.	Urgent repairs required which cannot be met from the Modernisation of Assets planned programme within the capital budget	Unavoidable urgent works that lead to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	2	0	400
ALL	Income	The Council must ensure that the Medium Term Financial Plan (MTFP) includes robust income estimates relating to savings plans.	Income is less than that assumed in the MTFP.	Loss of income or reduced collection that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves. Potential recurring budget pressure for future years.	2	0	?

Likelihood Rating

Very Likely	5
Likely	4
Possible	3
Unlikely	2
Very Unlikely	1