Appendix K: Budget Risks Register 2023-24

TOTAL	397,000

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Estimated Maximum Financial
Significant Risks (over £10m)						
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 in recent years, and we have requested this to continue in 2023-24 by the Secretary of State, this still leaves a material forecast overspend on the high needs budget in 2023-24 and further increases the accumulated deficit on the unallocated Schools Budget (DSG) Reserve, as any changes will take time to embed and reduce costs going forward. The main drivers of this deficit are the increase in demand for Education Health & Care Plans and requests for more specialist placements/support for children with SEN, many of which are then educated further away from their local school. A deficit recovery plan is being developed and monitored with the Schools Funding Forum on how the council intends to address this issue. The Council is also taking part in the Government's Safety Valve programme where the Department of Education will contribute towards historic deficits where a local authority can demonstrate a credible plan to return to an in-year breakeven position. However, we are awaiting the Secretary of State agreement. The Government's implementation plan following the Green Paper consultation on the future approach to SEN and alternative provision is due to be published in Spring 2023 but it is unlikely to impact our ability to manage this deficit in the shorter term and so the accumulated deficit will continue to grow.	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 2026. This approach does not resolve how the deficit will be eliminated and therefore still poses a substantial risk to the Council. Whilst local policy changes are expected to return the Council to a balanced in-year budget over time, the changes are unlikely to create sufficient surplus to fund the accumulated deficit . This could only be addressed through significant reductions to existing funding rates which would have an adverse impact on schools, academies, colleges and independent providers. Despite the extension to the override the Council will have to start to make provisions for a contribution from reserves from 2023-24 onwards towards the accumulated DSG deficit	5	100,000
ALL	2022-23 overspend impact on reserves	Inability to manage the pressures against the 2022-23 revenue budget in order to deliver a balanced position by 31-3-23.	Overspend against the revenue budget in 2022-23 required to be met from reserves leading to a reduction in our financial resilience	Insufficient reserves available to manage risks in 2022-23 and future years	5	60,900
ALL	Non delivery of Savings and income	Changes in circumstances, resulting in delays in the delivery of agreed savings or income	Inability to progress with plans to generate savings or additional income 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.	4	54,800

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Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Estimated Maximum Financial
ASCH / CYPE	Market Sustainability	The long term impact of Covid-19 is still impacting on the social care market, and there continues to be concerns about the sustainability of the sector. At the moment all areas of the social care sector are under pressure in particular around workforce capacity including both recruitment and retention of staff especially for providers of services in the community, meaning that sourcing appropriate packages for all those who need it is becoming difficult. This is likely to worsen over the next few months with the pressures of winter, and increased activity in hospitals. Throughout this year we have continued to see increases in the costs of care packages and placements far greater than what would be expected and budgeted for, due to a combination of pressures in the market but also due to the increased needs and complexities of people requiring social care support.	If staffing levels remain low, vacancies unfilled and retention poor, then repeated pressure to increase pay of care staff employed in the voluntary/private sector in order to be able to compete in recruitment market. At the moment vacancy level said to be 1 in 10.	Care Homes closures are not an infrequent occurrence and whilst some homes that close are either too small or poor quality others are making informed business decisions to exit the market. The more homes that exit in this unplanned manner further depletes choice and volume of beds which can create pressures in the system regarding throughput and discharge from hospital thus potentially increasing price.	5	45,000
ALL	Revenue Inflation	The Council must ensure that the Medium Term Financial Plan (MTFP) includes robust estimates for spending demands.	Price pressures rise above the current MTFP assumptions and we are unsuccessful at suppressing these increases.	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	30,000
CYPE	Market Sustainability	Availability of suitable placements for looked after children. Availability in the market for home to school transport, due to reducing supplier base and increasing demand.	Continued use of more expensive and unregulated placements, where it is difficult to find suitable regulated placements. as no suitable alternative is available. The cost of transport contracts continues to increase above inflation.	Unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves.	5	21,000
ALL	Capital	Capital project costs are subject to higher than budgeted inflation.	Increase in building inflation above that built into business cases.	Capital projects cost more than budgeted, resulting in an overspend on the capital programme, or having to re-prioritise projects to keep within the overall budget. For rolling programmes (on which there is no annual inflationary increase), the level of asset management preventative works will reduce, leading to increased revenue pressures and maintenance backlogs.	4	18,300
ALL	Demand	The Council must ensure that the Medium Term Financial Plan (MTFP) includes robust estimates for spending demands.	Demand for services exceeds the budget assumptions and we are unsuccessful at suppressing these increases e.g. children's social care, adult social care, school transport, waste, 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	17,000

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Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Estimated Maximum Financial
Other Risks (under £10m - individual amounts not included)						50,000.0
DCED	Strategic Headquarters	Sub optimal solution for the Council's strategic headquarters	Capital programme includes a capped £20m allocation for strategic assets project that limits the available options	Inability to address all backlog issues increases the risk of cost overruns and potential need for higher future maintenance, running and holding costs	5	
GET / DCED	Capital – asset management and rolling programmes including: Highways, Country Parks, PROW (GET) and Modernisation of Assets, Schools (S&CS)	The asset management/rolling programmes for KCC are annual budgets and are not increased for inflation each year, meaning that the purchasing power reduces year on year as inflation is compounded yet the budget remains fixed.	Inflation pressures are incurred annually on these budget areas but the funding sources (KCC borrowing, DfT grant) remain fixed and therefore this contributes to the 'manage decline' notion in that these budgets do not even maintain steady state as often the level of investment is below (risk accepted) the required level of spend, plus year-on-year inflation is not budgeted for so the level of works commissioned reduces year-on-year also.	A funding gap therefore exists annually, so steady state cannot be achieved, so unless budget provision is made, the level of capital/asset management preventative works commissioned each year will reduce. This will present a revenue pressure, as more reactive works are likely to be required, plus the respective backlogs for Highways Asset Management (c£700m) and Modernisation of Assets (c£100m over 10 years) will increase exponentially. The risk represents the level of annual inflation required to mitigate this risk.	5	
GET	Capital - highways grant allocation	DfT capital grant funding has reduced by £9m resulting in insufficient capital funding available to continue at previous budgeted and approved service/investment levels, leading to an accelerated managed decline in the state of our highways network.	The requirement to manage safety concerns may lead to increased unbudgeted revenue spend on reactive works. The service was already operating a managed decline in the state of the network due to increasing traffic volumes, increasing inflation without compensating increases in funding etc so this will further exacerbate that position.	An overspend on the capital/revenue budget, requiring alternative offsetting savings or temporary funding from reserves/other sources. A re-prioritisation of the KCC capital programme would be required or service levels would need to be reduced. Asset management backlog (currently in excess of £700m) would continue to grow at an even quicker rate.	5	
ALL	Contract retender	Contracts coming up for retender are more expensive due to prevailing market conditions and recruitment difficulties	This risk could result in a shortage of potential suppliers and/or increases in tender prices over and above inflation	Higher than budgeted capital/revenue costs resulting in overspends that can be offset by specification changes	4	
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	
DCED	Capital Investment in Modernisation of Assets	Insufficient funding to adequately address the backlog maintenance of the Corporate Landlord estate and address statutory responsibilities such as Health & Safety requirements	Condition of the Corporate Landlord estate suffering from under-investment. Recent conditions surveys estimate an annual spend requirement of £12.7m per annum required for each of the next 10 years. Statutory Health & Safety responsibilities not met.	The estate will continue to deteriorate; buildings may have to close due to becoming unsafe; the future value of any capital receipts will be diminished. Potential for increased revenue costs for patch up repairs. Risk of legal challenge.	4	
DCED	Cyber Security	Malicious attacks on KCC systems.	Confidentiality, integrity and availability of data or systems is negatively impacted or compromised leading to loss of service, data breaches and other significant business interruptions.	Financial loss from damages and potential capital/revenue costs as a result of lost/damaged data and need to restore systems	4	

Appendix K: Budget Risks Register 2023-24

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Estimated Maximum Financial
DCED	Increasing costs within Corporate Landlord which used to be funded by Directorate budgets	The Hybrid working requires centralised costs for replacement chairs/equipment which used to be funded from individual budgets. Also provision of tea, coffee, milk and the added cost of fridge cleaning etc.	If budget not top-sliced across Directorates then pressure will fall to Corporate Landlord.	Increased cost of new TFM contracts due to change in central requirements which will appear as an overspend if we can't identify where/how to collect budgets.	4	
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 was 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.	4	
GET	Revenue - drainage and adverse weather	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	An additional £1m was put into the drainage budget in 21/22 but this was below the level of overspends achieved in the two prior years and the risk is therefore the budget is not being funded at the level of demand/activity. More erratic weather patterns also cause financial pressures on the winter service and many other budgets. 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	
GET	Changing Government focus on funding to support the Net Zero/Carbon Reduction green agenda	The Sustainable Business and Communities team with Net Zero within its remit has received significant EU/Interreg funding which has helped plan and deliver the plan for Net Zero by 2030/2050. If such funding is not available from Government programmes then either KCC would otherwise need to invest its own funds to provide a suitably sufficient team to achieve Government requirements or requirements won't be able to be met	The risk is that KCC has to fund any reduction or cessation of funding.	The consequence is an overspend against the revenue budget, requiring compensating savings or funding from reserves, as simply not delivering Net Zero by 2050 is not an option due to Government legislation being implemented.	4	
CYPE	Recruitment, retention & cover for social workers	Higher use of agency staff to meet demand and ensure caseloads remain at a safe level in children social work. The Service has relied on recruitment of newly qualified staff however this is being expanded to include a more focused campaign on attracting experienced social workers. There are higher levels of sickness and maternity leave across children's social work	Inability to recruit and retain sufficient newly qualified and experienced social workers resulting in continued reliance on agency staff, at additional cost. Higher levels of sickness and maternity leave resulting in need for further use of agency staff.	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	
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	

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Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Estimated Maximum Financial
ALL	BREXIT and EU Transition	The Council requires full reimbursement from Central Government for the additional ongoing costs of BREXIT and transition.	Full cost reimbursement not received from government. The grants received to date have not been sufficient to cover the council's additional spending on BREXIT and transition costs.	Additional unfunded cost that leads to an overspend on the revenue budget, requiring compensating in year savings or temporary unbudgeted funding from reserves	3	
ALL	Income	The Council must ensure that the Medium Term Financial Plan (MTFP) includes robust income estimates.	Income is less than that assumed in the MTFP.	Loss of income or reduced collection of income 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	
GET	Waste income prices	The current market has seen a considerable volatility in the income received for certain waste streams (potentially due to other supply shortages). The budget for 2023-24 includes £1.8m for lower than budgeted income in 2022-23	Projected levels of income fall and leave a financial unfunded pressure.	This will result in an unfunded pressure 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	
GET	English National Concessionary Travel Scheme (ENCTS) and Kent Travel Saver (KTS) journey levels	ENCTS journeys have reduced over time, more so during the pandemic, so a £1.9m reduction in budget has been reflected in the MTFP based on this downturn. For KTS increased usage of £0.3m is included in 2023-24 budget.	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 if current activity levels are not indicative of the new normal.	3	
Non Attributable Costs	Insecure funding	The 2023-24 core budget includes £11.3m from insecure funding (company dividends, business rate pool and new homes bonus).	Previously it was recognised that core spending should not be funded from insecure/volatile sources and such funding should be held in reserve and used for one-off purposes	Funding is not secured at the planned level resulting in overspend	3	
Non Attributable Costs	Volatility on Investment Income	Returns on investments have been volatile during 2022. Interest rates have been rising and are forecast to rise further. The 2023-24 budget includes an assumed £2.9m additional income on financial investments under the Treasury Management Strategy.	Performance of our investments falls below predicted levels as a result of volatility in the economy	Reduction in investment income 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	
CYPE	Changes to OFSTED regulation for 16 & 17 year olds	The Department for Education is introducing quality standards and registration and inspection requirements for providers of supported accommodation that accommodates looked after children and care leavers aged 16 & 17. The Department has recently consulted on enabling OFSTED to begin registering providers from Spring 2023, before registration becomes mandatory from October 2023 by which time local authorities will not be permitted to place or arrange accommodation in unregulated accommodation. The future of commissioning of these services needs to be reviewed in light of this decision.	The cost of regulated accommodation is more expensive and could add a further pressure on placement costs ahead of formal implementation. Government have indicated they will provide additional funding to compensate however this may not be sufficient or provided in a timely way.	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. Further discussions with Home Office if the additional costs cannot be managed within existing grant rates.	3	

Appendix K: Budget Risks Register 2023-24

Directorate	Risk Title	Source/Cause of Risk	Risk Event	Consequence	Current Likelihood (1-5)	Estimated Maximum Financial
CYPE / DCED	Reduction in DFE grants for central services for schools and review of school services provided by the Local Authority	The government has reaffirmed its intention for all schools to become part of the multi-academy Trust. Local Authority grant funding to support schools continues to be reduced, equating to a cumulative total reduction of nearly £4m for KCC since 2019-20. Consequently the Local Authority needs to review its relationship with schools and the services it provides free of charge.	Long term solutions cannot be implemented within timescales and may require schools agreement (which may not be achieved). There is also a risk that by passing greater responsibilities to schools could have a possible negative impact on other areas of Local Authority responsibility if schools do not comply (for example: school maintenance). There is also the risk of further cuts to the Local Authority Central Services for School Grants in the future.	If this remains unresolved there is a risk that this will also have to either be met from reserves in future years or result in an overspend until a longer term solution is identified	3	
DCED	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	3	
ASCH (PH)	Uplift in Public Health Grant	The anticipated 'real' increase in the Public Health grant is insufficient to meet increase in costs and costs of new responsibilities.	The increase in the Public Health grant is less than the 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	
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	
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.	2	
ALL	Capital - Climate Change	Additional costs are incurred to comply with climate change policy	Project costs increase beyond budget	Overspend on the capital programme resulting in additional borrowing	2	
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	
DCED	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	

Likelihood Rating

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