

RISK ASSESSMENT OF GENERAL BALANCE 2025/26 - DRAFT BUDGET

ANNEX J

AREA OF RISK	CONTROLLABLE BUDGET/MAX EXPOSURE £	Max Exposure	ASSESSED RISK LEVEL	FACTOR	VALUE £	MINIMUM PRUDENT RESERVE £	ASSUMPTIONS
A Service Cost - Demand and Pricing							
1 Children's Social Care Placements *includes UAS's	24,961,000	100.00%	High	10.00%	2,496,100		Increasing demand for specialist placements due to complex needs of children coming into care. Lack of in-house capacity across Local Authorities is causing a pressure in the external market which is seeing costs increase significantly to meet demand and needs.
2 ASC Placements	93,353,740	100.00%	High	5.00%	4,667,687		With an ageing population and increased care needs across adult services the level of demand remains unpredictable.
3 Home to School Transport	8,360,000	100.00%	Medium	10.00%	836,000		Linked with the significant increase in the number of children with an Education Health Care Plan (EHCP) the needs for specialist school placements is often not within the child's catchment area or in some cases within Milton Keynes. By default those children will meet the threshold and qualify for HTST support.
4 Homelessness Prevention and Access	20,275,594	100.00%	High	10.00%	2,027,559		Due to an increasing number of people presenting as homeless the level of demand is unpredictable. Furthermore the cost of living crisis is impacting on landlords who are then increasing rents above what tenants can afford or opting to sell the property due to increasing mortgage rates resulting in fewer rental properties within the market.
Service Cost - Demand and Pricing Risk Provision						10,027,346	
B Service Income - Demand and Charges							
5 Income from Fees, Charges & Contributions	16,776,099	10.00%	Low	10.00%	167,761		General risk on the collection of fees and charges and cost of living which could reduce the general public's ability to pay for additional council run services.
6 Parking Income	15,573,000	100.00%	Low	10.00%	1,557,300		Whilst the Council holds a separate reserve for the Parking Surplus Income, the balance on this is small and is primarily used for service investment. The budgeted in year parking surplus is fully allocated within the GF budget.
7 Planning Income	2,498,901	50.00%	Low/Medium	25.00%	312,363		Broader economic factors impacting the volume of planning applications and fee generation for a service which has largely fixed costs.
8 ASC Client Contributions	13,764,528	20.00%	Low/Medium	10.00%	275,291		Risks associated with higher proportion of clients not required to contribute towards cost of care due (due to financial circumstances) and reducing contributions as a result of depleted capital resources.
Service Income - Risk Provision						2,312,714	
C Commercial Contract Risks							
9 Waste Collection Tonnages	Judgement		Medium		347,000		The Council is liable to pay additional disposal charges to the RWTF operator where our collected tonnages exceed 68, 134 threshold. The provision has been calculated by taking the current fixed threshold and assuming that this is breached by 5% and charged at full cost.
10 Market Price for Recycling Materials			Medium/High		0		The Council is responsible for the quality and pricing risks around its paper recycling material. Falls in the quality or market price will result in an increase to the charges that the Council must pay through its commercial arrangements. A separate risk provision is held to mitigate this risk.
11 Residual Waste Treatment Facility	Maximum Cost		Medium		6,000,000		The Council is responsible for certain costs in the event of unplanned shutdowns of the plant for which insurance cover cannot be purchased (running costs and loss of income). Assumed One Shutdown Event lasting 90 days (insurance cover applies after this point)
12 Commissioning of Operator for the RWTF from April 2026			Medium		0		The Council will be tendering the operator contract for its RWTF plant. There are material commercial risks associated with this procurement which could lead to both additional one-off and recurring costs for the authority. A separate provision has been made in the 25/26 draft budget.
13 Emissions Trading Scheme			Medium		0		The Emissions Trading Scheme is due to be implemented for Waste in 2028. This will not impact the 25/26 budget, but investment in MKWRP may be required to mitigate the impact.
Commercial Contracts - Risk Provision						6,347,000	
D Service Performance Risks							
14 Children's Social Care (OFSTED)	Judgement		Low / Medium		2,500,000		The Council would face significant financial costs in the event of an 'Inadequate' rating to deliver the required improvements.
15 CQC Inspection Negative Judgement	Judgement		Low/Medium		750,000		The Council would face significant financial costs in the event of an 'Inadequate' rating to deliver the required improvements.
16 School Intervention - DFE Mandate conversion to an Academy for an existing LA Maintained School.	Judgement		Medium		500,000		MKCC would be liable for any school deficit on transfer to an academy where mandated by DFE.
Service Performance - Risk Provision						3,750,000	
E Supporting our Residents							
17 Local Council Tax Support Scheme	16,000,000	40.00%	Low/Medium	10.00%	640,000		The immediate impact of an increase in claims for this support would impact the Collection Fund (Council Tax). This would impact in future years with a reduced level of income feeding through into the General Fund.
18 Universal Credit			Medium		0		The roll out of Universal Credit will reduce the Council's level and recovery of HB Overpayments from on-going benefit - we have set aside a specific risk provision for this
19 Housing Benefit Uncapped Costs	Judgement		Medium		300,000		MKCC is required under regulation to fund the full cost of eligible expenditure for the provision of supported housing as well as Temporary Accommodation, whilst the subsidy that can be claimed from DWP is capped, leaving the authority to fund the difference. This provision makes allowance for potential increases in costs as a result of the rising number of supported housing and T/A provision.
20 Housing Benefit Subsidy			Low/Medium		0		Where the LA Error threshold is exceeded the Council has its HB Subsidy reduced. A separate risk reserve has been set aside to manage this risk.
Supporting our Residents - Risk Provision						940,000	
F Government Funding							
21 Business Rates and Fair Funding					0		No provision has been made in the MTFP for future changes to business rates and fair funding. The Council holds Collection Fund cashflow reserve which can be used to manage additional changes to funding which fall outside of the assumptions in the MTFP. No further risk provision through reserves is required.
22 High Needs Funding (DSG) insufficient to cover the cost of provision and statutory duties.	5,829,000	100.00%	Medium	2.50%	145,725		The Council is liable to cover any shortfall in its High Needs Block should the cost of provision exceed the level of funding allocated nationally by government. Demand continues to increase substantially due to the number of children with an Education and Health Care Plan and increased complexity of need. There is currently a ring-fenced surplus in the high needs block, but future funding increases are significantly less in 24/25 than have been in previous years, and future funding is uncertain.

	AREA OF RISK	CONTROLLABLE BUDGET/MAX EXPOSURE £	Max Exposure	ASSESSED RISK LEVEL	FACTOR	VALUE £	MINIMUM PRUDENT RESERVE £	ASSUMPTIONS
23	Statutory Services Specific Grants for Social Care and Homelessness	25,930,432	100.00%	Low/Medium	5.00%	1,296,522		Risk of future government funding reductions which the Council cannot make cost reductions against due to the level of demand and need to meet statutory duties.
24	Public Health Grant	12,686,740	100.00%	Low	2.50%	317,169		Risk of future government funding reductions, or limited increases, which cannot be adjusted in the cost base due to contractual commitments.
	Government Funding - Risk Provision						1,759,415	
G	Balance Sheet Risks							
25	Debt Affordability - impact of higher borrowing costs for refinancing or new borrowing	10,500,000	100.00%	Medium/High	1.00%	105,000		The Council is due to refinance external debt of £10.5m in 25/26, allowance assumes that borrowing costs are 1.0% higher than currently projected.
26	Investment Risk - Loss of principal investment due to credit default or market losses.	366,000,000		Low		3,660,000		Risk provision of 1% on average cash balance.
27	Asset Risk - unexpected liabilities arising as a result of asset deterioration, new statutory requirement etc	Calculation		Low/Medium		350,000		The risk provision is included based on the financing costs associated with unexpected capital expenditure being required based on a £5m liability at a 7% financing cost (inc of MRP at 2%). The Council performs Condition Surveys on its physical assets and therefore urgent costs above this level are considered unlikely to arise.
28	Debtors - inability to recover debts or raise charges	Judgement		Low		1,000,000		The Council holds separate Bad Debt Provisions to cover expected / estimated losses on collection of debts owed to the Council. This risk allowance covers the potential risk that there is a high value unexpected loss arising to the Council which was not factored into this process as the risk was unknown at the time.
29	Creditors - Increase liabilities due to failure to meet obligations or timelines to spend third party contributions	Judgement		Low		500,000		Main risks arise around the Council not meeting conditions in agreements, such as s106, grants and other 3rd party funds which have specific time limits and restrict how funding can be applied. In the event that these are missed the Council would be required to repay monies, with interest.
30	Pension Fund - Increase to the Councils share of liabilities as a result of losses on the pension fund investments or unexpected liabilities.			Low/Medium		0		The Council hold a separate pension fund reserve to provide for potential one-off adjustments / losses. A separate provision has therefore not been included in this assessment.
	Balance Sheet - Risk Provision						5,615,000	
H	Major Events							
31	Cyber Event	Judgement		Medium/High		2,000,000		If the Council were to suffer a major cyber event, rendering its IT unusable for a period of time, additional costs would be incurred employing external service providers to support a recovery plan for which a budget would be required. Additional costs arising from service disruption would also arise impacting service performance and finding alternative ways to deliver statutory services. The Council has its systems in the cloud through Microsoft Azure, which would reduce its cost of recovery.
32	Public Health Emergency	Judgement		Low/Medium		1,000,000		Provision for irrecoverable costs incurred on early stages of dealing with a new health emergency.
33	Emergency Planning / Climate Change	Judgement		Medium/High		1,350,000		Bellwin threshold requires MKCC to fund the first £350k + £1m local top risk allowance to deal with exceptional costs not covered by standard Property and Public Liability Insurance cover.
34	MKCC Tariff Programme by 2031			Low/Medium		0		The Council has set aside a separate risk reserve for this to ensure that it is able to fund the costs of the necessary infrastructure works and or repay interest on any unspent contributions should any of these not be fully spent by the 2031 deadline.
35	Delivery of the MK East Tariff Programme (2A)			Low/Medium		0		A Tariff Risk Reserve is to be created to ensure that the Council can fund the costs of the necessary infrastructure works and or pay interest on any unspent contributions should these not be fully utilised by the deadline of 2046.
36	Major Contractor Failure Re-procurement	Judgement		Low/Medium		1,000,000		In the event of a major contractor failure the Council would need to put in place alternative arrangements for service provision before this could be re-commissioned potentially for a period of up to 2 years.
37	Major Contract Failure - Interim Service Provision	18,000,000	50.00%	Low/Medium	10%	900,000		In the event of service cessation, the Council would need to put in place interim service delivery which would result in additional costs in the short term to ensure that service provision could be achieved with minimal impact on the public.
38	RWTF Plant cannot process residual waste due to a major event which requires the Council to landfill.			Medium		0		Estimated waste disposal for a 12 month period £9.1m + operational costs for retaining the operator / staff during the period that the plant is inoperable. A separate risk reserve is held for this risk. This would be used in conjunction with risk 11
39	MKDP	2,663,000	100.00%	Low	10%	266,300		In the event of financial failure the Council may need to step in and provide financial support to the LLP or except a reduction / loss to its Dividend payment.
40	Insurance - exceptional losses	Judgement		Medium		1,000,000		The Council suffers higher volumes of claims, drawing down available reserves (excess / self insurance) as a result of a major loss or series of loss events.
41	Major Planning Appeal Loss	Judgement		Low/Medium		1,000,000		The loss of a major planning appeal represents one of the more significant cost legal risks (costs) that MKCC is faced with when defending major planning appeals.
42	GDPR Breach	Judgement		Low/Medium		1,000,000		Fines are unlimited, but would take account of MKCC's status as a Public Body.
43	Workforce Dispute / Issue	100,500,000	10.00%	Low	15%	1,507,500		Financial risk of claims, breaches against MKCC or equal pay issue.
44	Health and Safety Breach	Judgement				1,000,000		Failure to comply with legal obligations leading to costs, fines and losses.
	Major Events - Risk Provision						12,023,800	
	TOTAL ASSESSED MINIMUM WORKING BALANCE						42,775,276	
	Percentage Reduction (25%) for Probability of Multiple Events						(10,693,819)	
	Total Minimum Working Balance Required						32,081,457	