Appendix 7(b)

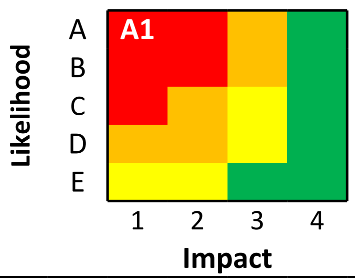
Financial Resilience

Description

Within the context of there being a Budget Gap of £142 million for the period 2025/26 to 2028/29. There is a risk of:

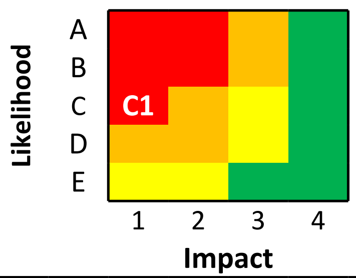
- Failure to deliver a balanced annual budget.
- Failure to provide a fully informed Medium Term Financial Plan along with a timely strategy to address resultant gap.
- Lack of appropriate mechanisms to identify and manage unexpected financial liabilities.

Inherent Risk



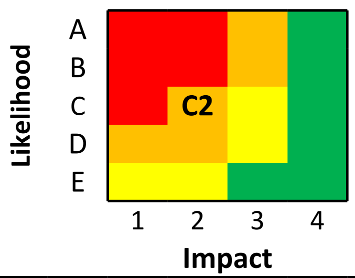
Last Reviewed	Q1 2023/24
Last Revision	Q1 2023/24

Residual (Current) Risk



Movement from Prev Qtr.	↑

Target Risk



Target Reduction Date	Q3 2023/24

Risk Owner(s)

Chris Lee (Ian Allwood)	**Councillor** **Chris Weaver** Finance, Modernisation and Performance

Potential Impact(s)

Failing to meet statutory obligations and potential for service delivery to be adversely affected.

- Reputational damage to the Council.
- Needing to draw down significant unplanned amounts from reserves.
- Inability to progress policy initiatives through inadequate Business Cases and no forthcoming external funding to bridge any affordability gap.
- Inability to manage adverse external factors - e.g. adverse funding settlements, WG rent policy etc.
- Financial constraints and budget proposals result in unintended consequences such as increased instances of non-compliance and financial impropriety.
- Requirement for significant savings at short notice that are therefore not identified in a coherent, strategic way and which impact on service delivery.
- Level of borrowing limits the ability of future generations to take forward new priorities.
- Reaching the point where a s114 notice is required to be issued by the S151 Officer.

Type(s) of Impact

• Service Delivery • Reputational • Legal • Financial	• Stakeholder

What we've done/are currently doing to achieve the Residual Risk Rating

2023/24 and Medium Term

- Regular monitoring to understand the in-year position and gain early insight into emerging risks which includes earmarked reserves review to establish level of need reflecting the current priority is balanced budget.
- Engaging and working in partnership with directorates during the budget process to ensure that budget proposals and services are deliverable within timescales and quantum (revenue and capital).
- Mechanisms in place such as Treasury Management Reserve and Financial Resilience Mechanism in order to dampen the impact of a worse than anticipated financial climate / settlements.)
- Preparation of Prudential Indicators to help assess the affordability, prudence and sustainability of the Capital Programme and associated levels of borrowing.
- Close alignment with Corporate Plan objectives, to ensure resources are allocated appropriately, and that longer term financial savings are developed in enough time to be realised.
- Annual review of contingent assets and liabilities, and provisions to ensure the Council has adequate cover for emerging liabilities.
- An approved Treasury Management Strategy that identifies borrowing interest cost and refinancing as a significant risk to be managed. Security, Liquidity and Yield in that order to preserve investments.
- A Major Projects accountancy function supporting the identification of key risks / financial issues in relation to large schemes. Targeted accountancy support to areas of financial challenge and ensuring the appropriateness of internal charges.
- Maintaining approach to robust financial control mechanisms and strengthening complex / areas of risk through training e.g. VAT.
- Undertaken initial assessment against CIPFA FM code with high level findings.
- Established a corporate approach to business case development, viability assessment, approval and post project monitoring to ensure expenditure assumed to pay for itself can do so over its expected life thus providing assurance that financial resilience will not be undermined by projects exceeding their cost parameters.
- Development of 2024/25 Fees & Charges using Income Generation Framework- has assisted income planning and visibility of income streams relative to costs etc.

What we plan to do to meet target

2024/25 and the Medium Term

- Further strengthening links between financial planning and asset management strategies, which consider the current condition of assets and future requirement or activity. Q3 2024/25
- Direct Property Service to ensure clear, detailed plans and timescale for delivery of capital receipts targets. Q2 2024/25
- Maintain the enhanced focus on a multi-year position (recognising limitations where settlement information is for one year only) outlining key risks in MTFP where quantification is not possible / problematic. Q3 2024/25
- The level of the gap over the Medium Term is likely to require a review of budget-setting timelines and decision-making points with likely need for earlier decision-making. Q1 2024/25
- Refresh self-assessment against the CIPFA FM code and Balance Sheet Review and develop implementation plan in respect of any findings or recommendations, which provide further financial resilience. Q1 2024/25
- Working with Directorates to identify cost and all available funding streams for decarbonisation. Q3 2024/25
- Implement financial resilience actions identified in the HRA MTFP. Q2 2024/25
- Ensure a finance structure with skills and adequate capacity to meet regulatory, interest rate, treasury and budgetary risk in the face of ongoing budget reduction requirements. Q4 2024/25

Linked Risks

Budget Monitoring (Control)

Key Indicators / Measures used to monitor the risk

- Financial Snapshot which highlights historical & current performance with regards budget monitoring, achievability of savings, levels of borrowing, and financial ratios.
- Outturn vs Budget: Main budget lines under or overspend as a % of budgeted expenditure.
- Delivery of planned savings: Total (£) unachieved planned savings as a % of total (£) planned savings.
- Use of reserves: 1) Ratio of useable reserves to Net Revenue Budget (NRB), 2) Amount of useable reserves used to balance budget as % of NRB.
- Council tax: 1) Council tax and other income as % of NRB, 2) Council tax collection rates (in-year actual).
- Borrowing: 1) Total commercial investment income as % of total net general fund budget, 2) Total commercial investments with borrowing outstanding, 3) Capital Financing Requirement related to commercial investments as proportion of overall Capital Financing Requirement, 4) Capital interest costs and MRP as a proportion of NRB.
- Performance against Budget Timetable.
- Frequency / timeliness of engagement with SMT/Cabinet.
- Proportion of Savings Proposals in Realised or at Delivering stage.
- Section 151 Officer Statement in respect of capital strategy, adequacy of reserves and other statutory commentary.
- Benchmarking data re: financial resilience produced by External Audit Bodies