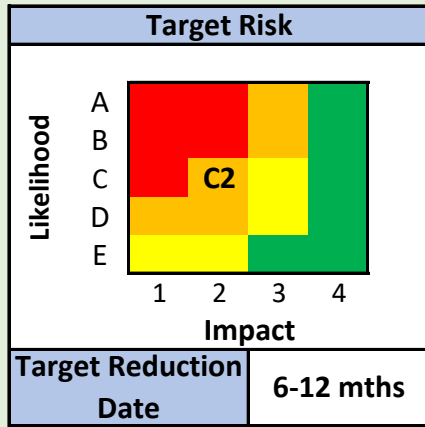
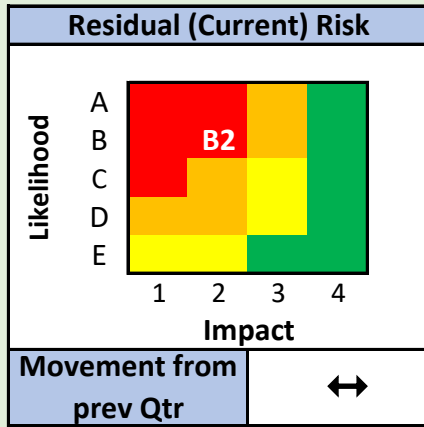
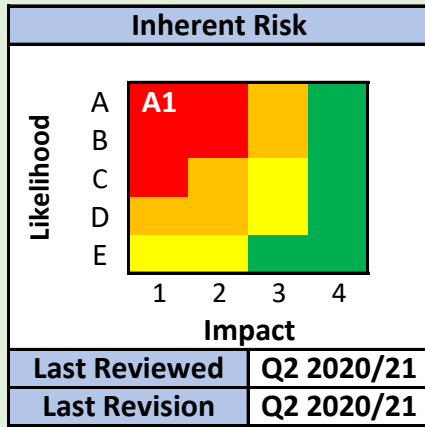


Financial Resilience

Description

- Failure to deliver a balanced annual budget and a fully informed Medium Term Financial Plan.
- Lack of appropriate mechanisms to identify and manage unexpected financial liabilities and unforeseen costs.
- The current outlook is that there is a Budget Gap of £85 million for the period 2022/24 to 2025/26.



Risk Owner(s)

Chris Lee
(Ian Allwood)

Councillor Chris Weaver
Finance, Modernisation and Performance

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

2020/21 and Medium Term

- Undertaking regular monitoring to understand the in-year position and help identify any emerging risks to resilience / financial pressures that need to be factored into the MTFP.
- Maintaining and regularly updating an MTFP identifying financial pressures and risks, setting savings targets and modelling potential council tax increases / rents in order to address them.
- 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.)
- Challenging directorates to provide robust business cases for savings proposals and to implement efficiency savings in advance of the year in which they are budgeted wherever possible , in order to secure a full year saving.
- Creation of a Treasury Management Reserve in order to assist in managing capital / treasury risk.
- Creation of a base budgeted financial resilience mechanism to help the Council manage worse than anticipated financial settlements without recourse to significant additional savings at short notice.
- Preparation of a Budget Timetable and detailed timescales for engagement with SMT / Cabinet re: revenue and capital proposals.
- Preparation of Prudential Indicators and a local affordability indicator 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.
- Regular review of contingent assets and liabilities, and provisions to ensure the Council has adequate cover for emerging liabilities.
- Robust monitoring of the impact of C19 to ensure all eligible items have been claimed in- year.
- An approved TM Strategy to mitigate risk - incorporates borrowing at fixed rates to reduce exposure to future interest rate fluctuations
- A Major Projects accountancy function supporting the identification of key risks / financial issues in relation to large schemes.
- Maintaining approach to robust financial control mechanisms and strengthening complex / areas of risk through training e.g. VAT.

What we plan to do to meet target

2021/22 and the Medium Term

- Continue work on establishing the financial implications to services both in the short, medium and long term as a result of the impact of the Covid 19 crisis and monitoring the delivery of robust recovery plans.
- Continue to refresh assumptions at key stages as relevant information becomes available.
- Consider and take any opportunities to increase earmarked reserves.
- Embed corporate approach to business case development, approval and post project monitoring to ensure expenditure assumed to pay for itself can do so over its expected life.
- Strengthening links between financial planning and asset management strategies which consider the current condition of assets and future requirements.
- Working with Strategic Estates provide momentum to deliver capital receipts targets required in the timescale agreed.
- Enhance focus on a multi-year position (recognising limitations where settlement information is for one year only.)
- Confirm approach to governance and financial monitoring of special purpose vehicles to ensure liabilities and any financial guarantees are understood.
- Implementation of any identified improvements required arising from our self assessment of the CIPFA FM code and Balance Sheet Review including in respect to Treasury Management, an assessment of resources, skills and knowledge.
- Implement requirements of any revisions to revised CIPFA Prudential and Treasury Management Codes.
- Enhance the reporting of commercial investments as part of standard monitoring processes and reports and in line with revised reporting requirements.

Potential Impact(s)

- Inability to operate effectively within the financial resources available without recourse to unsustainable borrowing or funding solutions
- Inability to operate effectively when faced with adverse external challenges
- Failing to meet statutory obligations in the way Council delivers its services
- Inhibits the ability of the Council to plan for the medium term in a coherent and strategic manner

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 for HRA and General Fund: 1) Trend in Capital Financing Requirement, 2) Capital Financing costs as a % of Net Revenue Stream, 3) CFR as a ratio of Net Revenue Stream.
- 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

Type(s) of Impact

- Service Delivery
- Reputational
- Legal
- Financial
- Stakeholder