

Financial Resilience							
Description <ul style="list-style-type: none"> 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 or reductions in income The current outlook is that there is a Budget Gap of £69 million for the period 2023/24 to 2026/27. 	Inherent Risk 	Residual (Current) Risk 	Target Risk 	Risk Owner(s) <table border="1"> <tr> <td>Chris Lee (Ian Allwood)</td> <td>Councillor Chris Weaver Finance, Modernisation and Performance</td> </tr> </table>		Chris Lee (Ian Allwood)	Councillor Chris Weaver Finance, Modernisation and Performance
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	Potential Impact(s) <ul style="list-style-type: none"> Failing to meet statutory obligations and potential for service delivery to be adversely affected. Reaching the point where a s114 notice is required to be issued by the S151 Officer. Reputational damage to the Council. Needing to draw down significant unplanned amounts from reserves. Levels of borrowing become unsustainable. Inability to progress policy initiatives. Inability to manage adverse external factors - e.g. adverse 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. Requirement to reduce or cease planned capital investment 	What we've done/are currently doing to achieve the Residual Risk Rating 2021/22 and Medium Term <ul style="list-style-type: none"> Regular monitoring to understand the in-year position and gain early insight into emerging risks that need to be factored into the MTFP work. 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 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. Undertaken initial assessment against CIPFA FM code with high level findings Work on establishing the financial implications to services both in the short, medium and long term because of the impact of the Covid 19 crisis, and detailed log of budgetary issues affecting 2022/23. 			What we plan to do to meet target 2022/23 and the Medium Term <ul style="list-style-type: none"> Consider and take any opportunities to increase earmarked reserves in order to provide first line of defence against financial shocks. Embed in corporate processes, approach to business case development, approval and post project monitoring. Strengthen links between financial planning and asset management strategies, which consider the current condition of assets and future requirements. Continue to review the detailed plans and timescale for delivery of capital receipts targets. Enhance focus on a multi-year position (recognising limitations where settlement information is for one year only.) Review approach to governance and financial monitoring of special purpose vehicles to ensure liabilities and any financial guarantees are understood and are appropriate. Complete self-assessment against the CIPFA FM code and develop implementation plan in respect of any findings or recommendations, which provide further financial resilience. Document and embed approach and reporting of Non Treasury Investments such as commercial property performance as part of new Investment Management Practices. Continue to keep cost pressures arising from BREXIT, supply chains issues and labour / skills shortages under review in terms of their impact on costs, inflation and interest rates and the impact of these for the MTFP and Capital Programme. Continue to keep ongoing impact (cost pressures and income loss) of COVID-19 under review. To include development of additional prudential indicators in respect of a Liability Benchmark and for Non Treasury Investments. Review additional performance measures to demonstrate use of resources economically, efficiently, and effectively', arising from the Local Government and Elections Act (Wales) 2021 		
Type(s) of Impact <ul style="list-style-type: none"> Service Delivery Reputational Legal Financial 	<ul style="list-style-type: none"> Stakeholder 	Linked Risks Budget Monitoring (Control)					
Key Indicators / Measures used to monitor the risk <ul style="list-style-type: none"> 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 and (£ plus%) amount funded from borrowing, 3) Borrowing related to commercial investments as % of General Fund total borrowing, 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. Consider usefulness of benchmarking data re: financial resilience produced by External Audit Bodies - e.g. Audit Wales 							