

Appendix D – Financial Risk Register

Risk Area	Detail	Action
Level of Reserves	<p>As set out in this report (Section 6) the Provisional Robustness Statement, sets out that the Council has limited recourse in reserves and balances. This presents a risk to the financial sustainability of the organisation over the medium term.</p> <p>.</p> <p>The council has little recourse available if savings are not delivered as planned, pressures resulting from a the longer lasting impacts C-19 increase, or unforeseen events occur. A risk assessment of the general fund level is outlined within Section 6, the robustness statement.</p>	<p>Robust financial control within 2021/22 and future years will continue to be exercised through regular budget monitoring, tracking of the delivery of approved savings plans through the Corporate Programmes and Finance Board and the development of further savings proposals, which will be progressed through CMT.</p> <p>The use of available specified reserves will be closely managed and controlled to ensure that only required and approved use of these funds takes place, to ensure that the council maintains a level of resilience.</p> <p>Reserves and balances will be reviewed regularly, within the monthly Budgetary Control Reporting (BCR), and reported weekly within a budget update to CMT, to ensure that they remain adequate in light of the Council’s overall financial position. They will also be reviewed to ensured that any commitments are:</p> <ul style="list-style-type: none"> • Essential and necessary to deliver future financial benefit • Represent value for money <p>As outlined within the report. The Council received conditional approval from MHCLG for a capitalisation direction in 2021/22, however the Council is proposing to replace this by using £10.5m of reserves to balance the budget, in order to minimise the cost of increased borrowing. This will ensure the council is able to balance its budget in 2021/22, but it does reduce the Council available reserve to mitigate the impact of potential service need as a result of the longer lasting impacts of C-19 or fund transformational change needed to deliver the scale of the savings required.</p>
Level of one-off (non-	The Council has relied upon non-repeatable budget savings and income items in order to balance the	Although the Council has been aiming to reduce the use one-off budget savings in recent years, the table in section 4 of the report sets out that the Council plans to

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repeatable) savings	budget, in previous years and within the proposed 2022/23-2024/25 MTFS. The Council is aware this is not a sustainable approach, but it has enabled Council to set legal and balanced budget.	<p>use £25.1m on one off-resources from various sources in the 2021/22 Budget, and plans to use one off options in future years. The table also outlines that this has been practice for a number of years now, which has temporarily resolved the financial position creating a cliff edge in future years.</p> <p>The Council has been in discussions with the DLUHC and has received conditional approval for a capitalisation direction, to balance its budget in 2021/22. The Council will now be reducing reliance on the Capitalisation Direction and using reserves balances, but is aware that both of these options are one off, and not sustainable.</p> <p>A plan to deliver financial sustainability is in progress and is expected to be reported within the Phase Two MTFS report in January, however it is likely that the Council will need to rely on further one-offs such as asset sales, in order to become sustainable in the longer term.</p>
Service Delivery- Demand Led Services	<p>The Council provides services in a number of areas where the need for support lies outside the Council's direct control, for example in children's, adult social care and homelessness. Demographic growth and demand pressures present significant financial risk for the Council over the medium term.</p> <p>Demand for Council services in particular adults and children's social care and housing have been significantly impacted by C-19, and continue to be at risk due to the longer lasting effects.</p>	<p>The Council will continue to take measures to review and modify its service provision to respond to increasing demand for services, through more cost effective operating models and working with client groups and partners to manage demand for services.</p> <p>Regular monitoring, forecasting and reporting of financial and service performance and anticipated pressures will be undertaken to ensure that corrective management action is taken to control expenditure within the approved budget. Savings plans are based on intervention and prevention, aiming to reduce need and service demand.</p>

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		Regular reporting to the Rapid Implementation Team (RIT) and budget CMT will continue to take place throughout the course of the year, with all MTFS assumptions being revised within Phase 2.
Savings Delivery (current and new proposals)	<p>The achievement of a balanced budget and sustainable MTFS is reliant upon the successful delivery of agreed savings plans and the identification of new plans.</p> <p>The delivery of some savings plans had been made more challenging, and in some cases unachievable due to C-19, due to the prioritisation of the council's response to the pandemic.</p>	<p>The RIT monitor and report on the delivery of programmes and savings. This group meets on a weekly basis to report, monitor and challenge the delivery of savings to ensure are on track as per the original plan. If, within this group, savings are being reported as not deliverable or as high risk and remedial action is not effective, those items are escalated to CMT where final debates and future actions are agreed.</p> <p>Delivery of savings are also monitored on a regular basis within the monthly BCR, this is also reported to the RIT, CMT and Cabinet.</p> <p>These savings plans were reviewed within the 2021/22 MTFS and where savings plans were deemed out of reach due to the change in operating environment, these were removed with a view to being reviewed during future budget setting processes. Examples of these include savings within Adult Social Care and potential office rental income, which were both effected over the pandemic due to rising care costs and social distancing measures.</p>
Income	<p>Cost of provision of service outstrips returns or a reduced level of sales.</p> <p>Some areas of income such as parking, culture and leisure remain problematic for the Council as a result of C-19.</p>	<p>Delivery of planned income generation (and savings) is tracked through monthly BCR, and reported to CMT and Cabinet. Programme and project governance will require recovery plans to be prepared where projects are identified as varying adversely from plan.</p> <p>These areas remain under close review, within the BCR, by the RIT, CMT and Cabinet. Additionally the Council is undertaking a full review of its parking strategy</p>

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	<p>Debt There is a risk from the non-payment of invoices from our suppliers. The Council currently has £15.7m of total sundry debt</p> <p>The Clinical Commissioning Group (CCG) currently accounts for 40.8% of the Councils general debtor.</p>	<p>and reviewing its Culture and Leisure services now they have been embedded within Aragon and Peterborough City College.</p> <p>The C-19 pandemic had increased the risk around debt, and an assessment of the Councils current debt levels has identified the need to increase the bad debt provision by £0.7m in 2020/21 and £0.7m in 2021/22 to mitigate the risk of the Council being unable to recover this debt in full in the future. The Council has closely monitor the debt position and taken required action to ensure payment of invoices are received, and within phase one has been able to release some of the bad debt provision due to an improved position</p> <p>Additionally the Council has taken steps to review its debt management processes including a full review undertaken by internal audit identifying the strengths, weaknesses and recommendations for improvement, which are also being put in place.</p> <p>The Council continues to work closely with senior officers at the CCG to resolve any issues and manage the payments to allow the effective management of the Councils cashflow and debt levels.</p> <p>This is monitored regularly to CMT and separately within the Statement of accounts due to the significant value of the outstanding balance. This level of debt also provides a cash flow risk to the Council.</p>
Business Rates	Forecasts - the Council will benefit from any growth in business rates but will also have to share the risk of volatility of collecting business rates, changes to business rates during the financial year and	The finance team will align forecasts using a detailed approach with planning and revenue and benefit colleagues to monitor business growth as part of the budget setting process and at regular intervals during the financial year. On a monthly basis dashboard reports are made available to the s151 officer and the corporate finance team to monitor business rates income.

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	<p>administration costs associated with collecting business rates.</p> <p>Appeals – The new government ‘Check, challenge and appeal’ system seems to have reduced the level of open appeals however there is a provision set aside for appeals by the council, and there is a risk that this may not be sufficient</p> <p>Appeals- Material Change in Circumstance appeals have been raised by businesses nationally</p> <p>Business Rates Collection Rates</p>	<p>The Council has reviewed the level of Business Rates provision it holds to mitigate the financial impact of valuation change and appeals. From this review the Council has been able to release some of this, due to:</p> <ul style="list-style-type: none"> o An element being held in respect of the 2010 revaluation list, where a number of appeals have been withdrawn reducing the overall risk o A reduction in the overall % held in respect of the 2017 list. The national average was set at 4.7%, and the Council has been contributing at a rate of 4%, but on review this has been able to be reduced to 3.09% which is appropriate at this stage to the level of activity. <p>This will continue to be monitored by officers.</p> <p>The government announced that it would legislate “to rule-out C-19 related MCC appeals”. Instead, Local Authorities would be allocated a share of a new £1.5bn grant that can be used to provide business rates relief to support those local businesses most affected by the pandemic. Changes to legislation for both of these proposals is still due to go through parliament and it is expected this will now take place in Winter</p> <p>Business Rates collection rates have been dramatically effected by C-19 with the Council having £11.5m of outstanding balances in respect of 2020/21, only achieving a collection rate of 81.83% in comparison to the average rate of 97.86%. A recovery action plan commenced in February and since then has been able to reduce this balance by 58% down to £4.8m. So far the 2021/22 collection rate is marginally behind target, but recovery action is taking place and this is being closely monitored by officers.</p>

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	<p>Business Rates reforms have been further postponed. During 2020/21 a 'Business Rates Review call for evidence' consultation was issued by the treasury. At present it is not clear how this could impact on the Councils funding levels.</p>	<p>Officers will feedback to all consultations, to ensure all concerns are communicated and considered. As information becomes available officers will model the financial impacts, and ensure the budget reflects the appropriate funding levels.</p>
<p>Fairer Funding Review (FFR)</p>	<p>The Fairer Funding Review presents a risk for the Council as it means there is significant uncertainty surrounding its future funding levels. The impact of this could be significant for the Council as it could mean additional savings would need to be achieved. At present the DLUHC has issued two of three consultations, however the implementation has now been postponed further due to C-19 and the recent ministerial/departmental changes.</p>	<p>Officers are continuing to monitor all announcements, publications and consultations from DLUHC and from Local Government advisors. This will include networking and attending events to keep abreast of the latest information.</p> <p>Officers will feedback to all consultations, to ensure all concerns are communicated and considered.</p> <p>As information becomes available officers will model the financial impacts, and ensure the budget reflects the appropriate funding levels. This will include using the modelling tools which are available to us from PIXEL and the LGA.</p>
<p>Council Tax and Local Council Tax Support</p>	<p>Non-collection rates increase beyond the budget assumptions</p> <p>An increase in the levels of Local Council Tax Support (LCTS) claim levels, beyond budget assumptions. C-19 has increased the level of LCTS claims the Council has</p>	<p>Officer monitor the collection rate monthly and monthly basis dashboard reports are made available to the s151 officer and the corporate finance team to monitor council tax income collection and tax base growth. The Council will take necessary action to ensure payment of bills, and has been mindful of challenges facing households over the height of the C-19 pandemic by adopting a softer approach temporarily.</p> <p>The Council will revise future year forecasts of council tax income accordingly.</p>

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	<p>received, due to an increase in the levels of unemployment. As the furloughing scheme ends, it is anticipated that this could increase further putting additional strain on the Council Tax budget</p>	<p>The LCTS case loads are being monitored monthly by officers and reported to DLUHC as part of the C-19 Financial Monitoring returns, in addition to the collection rate monitoring which already takes place.</p>
<p>Partnership Working/ Contractual Commitments</p>	<p>The council now outsources or contracts out a large proportion of services, on a long-term basis to third party organisations, such as Serco, Aragon, and Milestone.</p> <p>There is a risk that the council could be subject to increased costs from these contracts due to:</p> <ul style="list-style-type: none"> • General Inflation • Social Care Levy (increasing salary costs) • Fuel/energy price rises • Care Market sustainability • HGV driver shortage <p>or alternatively have little flexibility to generate savings within the current budget due to the level accounted for via these contracts. The terms of the contracts may also restrict this.</p>	<p>The Council is reviewing all contracts, with a view to achieving improved value for money through strengthened contract management arrangements and negotiation of variation to services to be delivered.</p> <p>The Council will continue to work closely with its partner organisations to deliver the best services to its residents in the most effective and efficient manner.</p>
<p>Capital</p>	<p>Capital Receipts The agreed Minimum Revenue Provision (MRP) policy allows the Council to repay its debt through the application of receipts from asset disposal to</p>	<p>This is monitored monthly through Budgetary Control Reporting to Capital Review Group (CRG), CMT and Cabinet. The Finance team also receive the latest forecasts</p>

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	<p>repay debt. This represent a risk to the final outturn position if those receipts are not achieved. Due to social distancing restrictions and the C-19 pandemic commercial property sales have slowed increasing that targets won't be achieved. This will put additional strain on the budget.</p> <p>If the legislation was to be changed to prevent the Councils current use of capital receipts, the council would look to use capital receipted flexibly to fund redundancy and transformation expenditure.</p> <p>Capital Programme The proposed Capital Programme is partially reliant on third party contributions and grant allocations. These funding streams are not always guaranteed, such that they could be impacted by a downturn in development or reduced opportunity for central government funding.</p> <p>The council has been successful in obtaining funding via grants for development in the school infrastructure. There is a risk that the council may not receive grants in the future to fund new school buildings, despite increasing demand for school places.</p>	<p>for sale completion, estimated receipt level and market environment operating under on a bi-weekly basis from out property partners NPS.</p> <p>The Council has included a Flexible use of Capital Receipts Policy within the Capital strategy 2021/22, and in the instance of the legislation changing will look to use this for redundancy and transformation expenditure, in line with the policy, in order to maintain a level of resilience in the reserves balances.</p> <p>The capital programme is closely monitored and reported by officers within the monthly budgetary control reporting. The council operates an officer led Capital Review Group (CRG), which meets regularly to review the progress of schemes contained in the capital programme and evaluate new proposals or opportunities available to the Council</p> <p>All capital investment proposals require a business case which assesses funding options and associated risks and mitigating actions.</p> <p>Developer contributions, such as that within a section 106 agreement, are to be realised in line with approved policy and legal agreement.</p> <p>Grant bids to be worked up by the budget/project managers in partnership with the finance team, in line with previous successful approach.</p>

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Economic (Treasury) Risk	<p>Inflation - increases above forecasts assumed within the budget.</p> <p>Interest rates - a change in interest rates could impact on borrowing costs which may in part be offset by increased investment interest receipts.</p>	<p>Monitor inflation position and forecasts, and review impact on budget through budget control monitoring and reporting process.</p> <p>Capital financing estimates developed using latest forecasts of interest rates for MTFS (which allow for a level of increase) via the Council's treasury advisors. Existing borrowing has been undertaken at fixed rates in order to minimize the exposure of this risk. A review and assessment will be undertaken to try to achieve the optimum time to enter into new borrowing in light of advice on future rate rises, taking into account 'cost to carry' in relation to any early borrowing.</p> <p>The Council will review the level and timing of the capital programme and debt portfolio if rates increase beyond forecast levels.</p>
Loss of Key Personnel	<p>Earlier in the year the Chief Executive and the deputy Chief Executive have both announced plans to retire in December 2021 and January 2022. There is a risk resulting from reduced organisational knowledge, at a critical time of change.</p>	<p>Recruitment process for the new chief executive is already well underway, with the role being appointed on a single organisation basis (as apposed to the current shared arrangement with Cambridgeshire County Council) this will allow for greater capacity and focus in this changed landscape. Plans for a detailed handover and integration process for the newly appointed chief executive have already been considered.</p>
Financial Resilience	<p>There is a risk that the Councils financial resilience is insufficient to further withstand the combined pressures of reducing grant funding and the increased cost and demand pressures.</p>	<p>The MTFS report sets out that the Council still has a significant challenge ahead of it in order to achieve financial sustainability in the future. The council will continue to work closely with DLUHC, following its recent assurance review and is in the process of developing a financial sustainability plan, which it expects to report within the Phase Two MTFS in January 2022. However, there is a risk that the Council is unable to achieve this without government support, and there is uncertainty surrounding the level and type of support which could be available to the Council in the future.</p>

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	<p>Any weaknesses in the delivery of the strategy to strengthen financial resilience may exacerbate this risk. The consequence is an unsustainable and financially unviable organisation beyond the short term.</p>	<p>The Council's financial position is reviewed regularly by CMT and regularly reported to Cabinet (as outlined within the supporting documents). Adverse variances are clearly identified and actions, discussed at these forums and put in place to mitigate the financial impact as far as possible.</p>
Brexit	<p>Brexit carries a number of risks which could have a financial or operational impact the on services the Council provides. This is likely to be the result of changes in the funding and regulatory frameworks including the following:</p> <ul style="list-style-type: none"> Procurement Regulatory services European Union (EU) funding Loss of staff, where staff are from the EU <p>There is a wider risk to the economy, through importation/export delays and tariffs, price pressure on key commodities e.g. fuel and labour market which could place more demand on services or budgets.</p>	<p>High level impact assessment have been completed by officers within the Council</p> <p>Officers from Cambridgeshire County Council and Peterborough City Council are on a joint risk group assessing the impact from Brexit, this has included officers attending MHCLG events and participating in teleconferences by the Home Office.</p> <p>As the UK has now left the EU on 31 January 2020, with the withdrawal agreement becoming fully operational from 1 January 2021. Some immediate changes have meant the Councils Contract Procedure Rule have been updated, but it is now expected there will be reform to public sector procurement with the Transforming Public Procurement green paper being published by the cabinet office in December 2020. The Procurement and Commercial Teams are monitoring these changes and working together to ensure CMT and Cabinet well informed and ready to implement any procurement policy updates.</p>
Public Sector Reform (change in the public	<p>Public Sector Reform has been mentioned in previous years, but more so this year, as in many cases the public sector has pulled together in its response to C-19 and it has demonstrated where there are</p>	<p>At present there is no set direction or plan laid out by government, however it is becoming more of a common topic, due to this it is difficult to pinpoint and put mitigating actions in place at this stage.</p>

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sector infrastructure)	<p>strengths, weaknesses and opportunities within the system.</p> <p>There are a number of differing potential options which include minimising the number of tiers in local government and implementing a structure of larger unitary authorities, reforming the NHS and social care, reviewing local and national tax systems such as Council tax and Stamp duty and reforms to business rates.</p> <p>Due to the uncertain nature and the scale of these changes this could present financial and operational risks for the Councils.</p>	<p>Officers are continuing to monitor all announcements, publications and consultations from the government and will feedback to any consultations, to ensure all concerns are communicated and considered.</p>
Climate Change to the City	<p>That Climate Change, as has been seen over the winter period 2020/21, has shown increased risk of flooding to the City. The Council needs to do all it can to mitigate this risk to residents, businesses and stakeholders</p>	<p>The Council to liaise with the Local and Regional Drainage Boards to ensure roles and responsibilities are clearly set out to minimise the risk to Peterborough</p>