Appendix D – Financial Risk Register

Risk Area	Detail	Action
Level of Reserves	As set out in this report (Section 6) the Robustness Statement, sets out that the Council has low reserves and balances. This presents a risk to the financial sustainability of the organisation over the medium term. The council has low resilience therefore if savings are not delivered as planned, pressures resulting from the longer lasting impacts COVID-19 increase, or unforeseen events occur this will reduce that further. A risk assessment of the general fund level is outlined within Section 6, the Robustness Statement.	Robust financial control for 2022/23 and future years will continue to be exercised through regular budget monitoring and will be incorporating the tracking of savings delivery through the improvement plan programme boards, which will also be undergoing key lines of enquiry to develop further savings proposals, which will be progressed through CMT. 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. 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: • Essential and necessary to deliver future financial benefit • Represent value for money The Council has considered these risks and in addition to the general fund a budget risk reserve of £2m has been established and £1.8m Income Tax Reserve to mitigate the budgetary impact of any future Collection Fund deficits.
Level of one-off (non-repeatable) savings	The Council has relied upon non-repeatable budget savings and income items in order to balance the budget, in previous years and there are some within the proposed 2022/23. The Council is aware this is not a sustainable approach, but it has enabled Council to set legal and balanced budget in the past.	The Council is aiming to reduce the use one-off budget savings in order to create financial sustainability. The table in section 4 of the report demonstrates how the Council has reduced its reliance on these options in the 2022/23 budget. A key theme to deliver financial sustainability is embedded within the Council's improvement plan (outlined in Appendix I). This is in progress and a new MTFS is expected to be to be reported in September 2022, setting out how the Council plans to achieve this.

Risk Area	Detail	Action
Service Delivery-Demand Led Services	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.	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. 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.
Savings Delivery (current and new proposals)	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.	The RIT monitor and report on the delivery of programmes and savings. This group meets on a regular 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. Going forward the monitoring of these will be integrated within the programme board for the Improvement Plan. The governance for this is currently being established. Delivery of savings are also monitored on a regular basis within the monthly BCR, this is also reported to the RIT, CMT and Cabinet. These savings plans were reviewed as part of the budget setting process for the 2022/23 MTFS and where savings plans were deemed out of reach due to the change is operating environment, these have been reviewed and either revised plans/actions agreed to deliver these, or where the position is irrecoverable the Budget has been adjusted accordingly. These like all budgetary pressure have undergone close scrutiny.
Income	Cost of provision of service outstrips returns or a reduced level of sales. Some areas of income such as parking, culture and leisure remain problematic for the Council as a result of Covid-19.	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.

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		These areas remain under close review, within the BCR, by the RIT, CMT and Cabinet, and revised plans and forecasts have been factored into this MTFS to ensure these pressures are contained within the budget envelope.
	Debt There is a risk from the non-payment of invoices from our suppliers.	The Covid-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 closely monitors the debt position and has taken required action to ensure payment of invoices are received, and within the 2022/23 budget has been able to release £0.5m of the bad debt provision due to an improved position. 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.
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 administration costs associated with collecting business rates. 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	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. 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: 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

Risk Area	Detail	Action
		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. This will continue to be monitored by officers.
	Business Rates Collection Rates	Business Rates collection rates have been dramatically effected by COVID-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 72% down to £3.2m. 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.
	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.	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.
Local Government Funding Reforms	The Funding reforms (also known as 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. Ministers have indicated they will start this review in early 2022 for implementation as early as 2023/24.	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. 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. This will include using the modelling tools which are available to us from PIXEL and the LGA.

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Council Tax and Local Council Tax Support	Non-collection rates increase beyond the budget assumptions An increase in the levels of Local Council Tax Support (LCTS) claim levels, beyond budget assumptions. COVID-19 had increased the level of LCTS claims the Council has received, due to an increase in the levels of unemployment.	Officers 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 COVID-19 pandemic by adopting a softer approach temporarily. The Council will revise future year forecasts of council tax income accordingly. The LCTS case loads are being monitored monthly by officers, in addition to the collection rate monitoring which already takes place. Even following the end of the furlough scheme the LCTS claimant levels are reducing each month, and getting closer to resuming a pre-pandemic level.
Partnership Working/ Contractual Commitments	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. There is a risk that the council could be subject to increased costs from these contracts due to: **1** General Inflation **2** Social Care Levy (increasing salary costs) **3** Fuel/energy price rises **4** Care Market sustainability **5** HGV driver shortage 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.	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. 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.

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Capital	**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 repay debt. This represent a risk to the final outturn position if those receipts are not achieved. A consultation on revised MRP guidance has been published by DLUHC. The guidance restricts the use of capital receipts to repay debt, and this is expected to come in from 2023/24, which presents a low risk to the Council's financial position. **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. 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. The Council has a high level of debt, and borrowing costs associated with that debt represents 16% of the 2021/22 revenue budget.	This is monitored monthly through Budgetary Control Reporting to Capital Review Group (CRG), CMT and Cabinet. The Finance team also receive the latest forecasts for sale completion, estimated receipt level and market environment operating under on a bi-weekly basis from out property partners NPS. The process for the identifying and achieving capital receipts is being reviewed as part of the Improvement Plan. The Council will closely monitor the progress around the new MRP guidance to assess the financial impact resulting from any proposed changes. 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 All capital investment proposals require a business case which assesses funding options and associated risks and mitigating actions. Developer contributions, such as that within a section 106 agreement, are to be realised in line with approved policy and legal agreement. Grant bids to be worked up by the budget/project managers in partnership with the finance team, in line with previous successful approach. The Capital Programme is a key workstream within the Improvement Plan with the development and implementation of a refreshed Capital Strategy included within this

Risk Area	Detail	Action
		budget plan. A review of the existing capital programme will be completed to ensure alignment with the revised strategy with funding sources and impact on the Council's balance sheet at its core.
Economic (Treasury) Risk	Inflation - increases above forecasts assumed within the budget. Interest rates - a change in interest rates could impact on borrowing costs which may in part be offset by increased investment interest receipts.	Monitor inflation position and forecasts, and review impact on budget through budget control monitoring and reporting process. 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. The Council will review the level and timing of the capital programme and debt portfolio if rates increase beyond forecast levels.
Financial Resilience	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. 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.	The MTFS report sets out that the Council still has a challenge ahead, in order to achieve financial sustainability in the future. The Council will continue to work closely with DLUHC, following its recent assurance review and have already taken positive steps towards achieving financial sustainability. These include: • The development of an improvement plan- of which some key milestones are already well on the way to being achieved. • The appointment of an Independent Improvement and assurance Panel • Commissioning CIPFA to undergo a programme of service and financial reviews 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.

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Brexit	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: • Procurement • Regulatory services • European Union (EU) funding • Loss of staff, where staff are from the EU 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.	High level impact assessments have been completed by officers within the Council 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 events and participating in teleconferences by the Home Office. As the UK 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.
Climate Change to the City	The impacts of climate change in the UK and around the world are clear and demand urgent action. We are already witnessing changes that impact lives and livelihoods and reshape landscapes and communities. 2020 was the first time that heat, rain and cloudless periods all ranked in the top 10 years since accurate records began. Total rainfall from extremely wet days has increased by around 17% over 2008- 2017, for the UK overall, so as well as increased rainfall overall, intense rainfall poses additional problems. The rate of change is increasing, and causing alarm to scientists, as reported by the IPCC earlier this year. The Council needs to do all it can to mitigate this risk to residents, business and stakeholders	The Council will: • Produce a costed proposal, including funding streams for the development of a climate change adaptation action plan. • Consider the above proposal, once funding has been identified, through the appropriate Council Governance processes. • The following is the climate change adaptation action plan specification: o The action plan should assess past and future risks to residents, organisations and the council from extreme weather events or hazards arising from a changing climate, including the impact of: ▪ Surface water flooding from extreme rainfall ▪ Extreme heat and cold in homes especially at night ▪ Extreme temperatures in workplaces ▪ Extreme wind, hail, rainfall and drought

Risk Area	Detail	Action
		o The action plan should include estimated costings for the adaptation and resilience measures that are required to protect Peterborough from the disruption caused by extreme weather events. o The action plan should identify methods of funding this work. o The action plan should be produced in consultation with the Combined Authority and national government along with local organisations and residents.

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