Appendix E- Financial Risk Register

Risk Area	Detail	Action	C-19 Impact
Level of Reserves	As set out in this report (Section 6) the Robustness statement (Section 6.4) the Council has limited recourse in reserves and balances. This presents a risk to the financial sustainability of the organisation over the medium term. . The council has very little recourse available if savings are not delivered as planned, or unforeseen events occur. A risk assessment of the general fund level is outlined within Section 6, the robustness statement.	Robust financial control within 2020/21 and future years will 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. 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 the FIPMB, 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; As outlined within the report. The Council received approval from MHCLG for a capitalisation direction, this is to fund costs associated with transformation and redundancy.	✓ The C-19 pandemic has meant that the Council is now almost fully utilizing unable reserve balances and the general fund in order to meet the additional costs. The Council has entered in to discussions with MHCLG to seek funding solutions in the short and longer term.
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 2020/21 and previous years. This is not a sustainable approach.	Although the Council has been aiming to reduce the use one-off budget savings in recent years, table 2, within the report sets out that the Council plans to use £10.6m on one off-resources from various sources to balance the 2020/21 Budget. 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 2021/22. The Council now has limited options in terms of one off non-repeatable savings and had embarked on implementing structural organisational change in 2021/22, to ensure a sustainable future, and to provide services within its funding envelope. Work had already started on the development of this, however this work was unable to be progressed due to the outbreak of the pandemic and the savings identified in the early stages of this have been significantly impaired.	✓ Mitigating action has been impacted by C-19 and sustainable savings identified have been significantly impaired.

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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 needs to increase the supply of both temporary housing and permanent affordable housing in order to meet the increased demand for housing within Peterborough.	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. The Council has recently resourced a housing specialist to support the housing needs team imbed new practises and prevention techniques to better manage the future demand for temporary accommodation. This will include a training programme for staff, tighter controls around the use of bed and breakfast accommodations and improvements to the customer journey and working practises. The Council are also continuing to build on a portfolio of housing supply to meet this demand, this includes working closely with local housing organisations and increasing the use of private rented accommodation. Regular reporting to the CMT will continue to take place throughout the course of the year.	✓ Demand for Council services in particular adults and children's social care and housing have been significantly impacted by C-19, and this risk has been heightened as a result.
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. A number of ambitious savings plans had previously been agreed which have creates structural budget problems, leading to in year forecast overspends.	In July the Corporate Programmes and Finance Board took over the responsibility to monitor the delivery of programmes and savings from the Rapid Implementation Team (RIT). This group meets on a monthly 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. Delivery of savings are also monitored on a regular basis within the monthly BCR, this is also reported to the Corporate Programmes and Finance Board, CMT and Cabinet. Scrutiny of savings plans was highlighted as an area for improvement within the financial controls review (2019) , and the finance team have scrutinised the proposals and assumptions within this budget. This together with the new governance structure for financial reporting and monitoring have enhanced the level of integrity and confidence within the Councils financial reporting.	✓ The delivery of existing savings plans has been made more challenging, and in some cases unachievable due to C-19. In order for the Council respond to the pandemic, staff have been redeployed, volunteers used and work reprioritised to ensure policies and actions as

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			set out be the Government were delivered and residents and businesses within Peterborough were supported. Therefore, the resource required to deliver these programmes was not available.
Income	Cost of provision of service outstrips returns or a reduced level of sales. Exit strategies associated with these ventures could prove to be costly. There is a financial risk attached to failure of commercial investment, either from default or exposure to wider economic changes. **Debt** There is also a risk from the non-payment of invoices from our suppliers. The Clinical Commissioning Group (CCG) currently accounts for 35.5% of the Councils general debtor. 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.	Commercial proposals will require the production of a robust business case that will be subject to appropriate evaluation and due diligence by relevant professional disciplines (i.e. technical, legal and finance). The management of costs, risks and benefits including service outcomes and financial implications will be achieved through regular monitoring and reporting via the Shared Services core group to the programme board, as part of joint corporate management team meeting and through to Cabinet. 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. The Council continues to work closely with senior officers at the CCG to resolve this issue and manage the payments to allow the effective management of the Councils cashflow and debt levels. Issues have been escalated to the appropriate internal level at the CCG resulting in significant progress so far in 2020.	✓ Income levels have been significantly impacted by C-19, with the Council reporting a £7.6m loss of income within the latest C-19 Financial monitoring return submitted to MHCLG. The Council has now completed the first Sales Fees and Charges compensation form and expects to receive £3.9m in grant funding to compensate the Council for these losses. The income streams impacted including planning income, parking and leisure will be closely monitored and reviewed against the economic outlook.

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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 Business Rates 75% retention and Business Rates baseline reset have been further postponed, and a 'Business Rates Review call for evidence' consultation has now now being issued by the treasury, as they plan to fully review the system. At present it is not clear how this could impact on the Councils funding levels.	The finance team will align forecasts using a detailed approach with planning and revenue and benefit colleagues to monitor business and dwelling 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 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. 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.	✓ The Councils Business Rates income levels have been severely impacted by C-19, with collection rates currently standing at over 20% worse than 2019/20. In addition to the reduced collection rates there are a number of reliefs which have been provided this year by the government which may make the recommencement of collection next year challenging for Council. There have been a number of Material change in circumstance claims raised by businesses seeking a reduction in the ratable value, these are thought to be affected businesses which have not been eligible for the additional C-19 reliefs- This could impact the Councils Business Rates income based

Risk Area	Detail	Action	C-19 Impact
			in the current and future years.
Fairer Funding Review (FFR)	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 MHCLG has issued two of three consultations, however the implementation has now been postponed further.	Officers are continuing to monitor all announcements, publications and consultations from MHCLG 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.	✓ C-19 has delayed the FFR further
Council Tax and Local Council Tax Support	Non-collection rates increase beyond the budget assumptions and / or increase in the levels of Local Council Tax Support (LCTS) eligibility, beyond budget assumptions. The LCTS scheme was changed in 2019/20, following approval at Council on 6 March 2019. elements of the changes were incremental and so there is a further change to the LCTS scheme in 2020/21, (increasing the rate from, 31% 2019/20 to 32% 2020/21 and to 33% 2021/22), this could also have an impact on collection rates.	Officers are in discussion with Serco to agree increased targets for collection of council tax to improve the position on the Collection Fund. Monthly updates will monitor the collection rates. The Council will revise future year forecasts on council tax income accordingly.	✓ C-19 has risen the level of LCTS claims the Council has received, due to an increase in the levels of unemployment. As the furloughing scheme ends, it is anticipated that this could increase further putting further strain on the Council Tax budget.
Partnership Working/	The council now outsources or contracts out a large proportion of services, on a long-term basis to third	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.	

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Contractual Commitments	party organisations, such as Serco, Aragon, Skanska and Vivacity. There is a risk that the council could be subject to increased costs from these contracts due to inflation 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 also looking to put stronger contract management processes and associated specification management for the end to end procurement processes it runs and this will form a basis of the Operating Model review which will take place at the end of the 2019/20 financial year 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.	
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. If the legislation was to be change to prevent the Councils current use of capital receipts, the council would look to use capital receipted flexibly to fund redundancy and transformation expenditure. **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	This is monitored monthly through Budgetary Control Reporting to Capital Review Group (CRG), CMT, FIPMB 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 Council has included a Flexible use of Capital Receipts Policy within the Capital strategy 2020/21, and in the instance f 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. The capital programme is closely monitored and reported by officers within the monthly budgetary control reporting. The council operates an officer led 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.	✓ The Councils 2021/22 budget included £4.5m in respect of capital receipts expected as a result of the sale of assets. However, as a result of the economy slowing and the impending deep recession the commercial property market has slowed, meaning the Council is carrying the risk of not being able to achieve these sales, putting additional strain on the revenue budget.

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	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. There is a risk associated with the management and maintenance v in relation to insufficient resources being available to maintain adequately the councils existing and planned infrastructure.	Grant bids to be worked up by the budget/project managers in partnership with the finance team, in line with previous successful approach. As a result of a structural report produced in July 2019, highlighted severe concerns around the structural integrity of one of the Councils assets, Northminster Car park. The Council has reviewed, and heightened the level of review, scrutiny around the condition and maintenance of the Council's assets. This will be coordinated by our partners, NPS and Aragon who have put in place programme of maintenance and review, which will be reported to an officer lead property group, and directly to the Chief Executive of the council.	
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.	✓ The economic forecast still remains threatened by C-19, as the UK remains in a 'deep recession'. Interest rates are at 0.1%, an historic low. And the potential for a further lockdown if the virus rates continue to increase worsen these forecasts.

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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.	A number of metrics are being developed to measure financial resilience across local government (CIPFA Resilience Index). The strategy to strengthen financial resilience is underpinned by a set of financial planning and management arrangements, including significant changes in arrangements for commissioning services. However, a clear route to a sustainable medium term financial position has not yet been fully identified as a national measure. Section 4.4 of the report sets out the how the Council was approaching implementing change in 2021/22, to ensure that the Council has a sustainable future, and is able to provide services within its funding envelope. The £11.9m of savings which had been identified as part of this work have now been significantly impaired to £2.7m. Furthermore, as a result of C-19, the Council is now forecasting an in year overspend of £11m and has a projected £35.7m budget gap in 2021/22- which will exhaust all reserves. The Council's financial position is reviewed weekly 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.	✓ It is projected that the additional cost and lost income generation as a result of C-19 will strip the Councils reserves balances, leaving the Council with no financial resilience.
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	High level impact assessment 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 MHCLG events and participating in teleconferences by the Home Office. As the UK has now left the EU on 31 January 2020, the UK enter a period of transition, where negotiation continue. The Council will continue monitor these negotiations for progress and will update policy and issue guidance, where there is an impact on current practices.	

Risk Area	Detail	Action	C-19 Impact
	market which could place more demand on services or budgets.		

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