

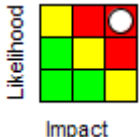
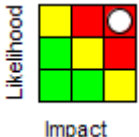


## Managing the Council's Finances

Generated on: 04 November 2021

<b>Risk Code</b>	CR08	<b>Risk Title</b>	Managing the Council's Finances
<b>Risk Owner</b>	Ian Couper	<b>Updated By</b>	Ian Couper
<b>Year Identified</b>	2003	<b>Council Objective</b>	Be a welcoming, inclusive, and efficient council
<b>Risk Description</b>	<p>As a result of:</p> <ul style="list-style-type: none"> <li>- Uncertainty of income from business rates.</li> <li>- Loss of Revenue Support Grant (including negative RSG).</li> <li>- Loss of New Homes Bonus, and uncertainty over a replacement funding stream.</li> <li>- Reduction in investment income.</li> <li>- Inability to identify sufficient efficiencies to bridge the funding gap.</li> <li>- Proposed efficiencies taking longer to deliver than estimated.</li> <li>- Proposed efficiencies not achieving estimated results.</li> <li>- Failing to identify or take forward opportunities to generate or increase income.</li> <li>- Income generation ideas do not achieve the estimated results.</li> <li>- Transfer of further functions to Local Government without adequate funding.</li> <li>- Impact of 75% Business Rates Retention and revised fair funding formula at some unknown time.</li> <li>- Continued inflationary and demographic pressures across Local Government, accompanied by a level of total funding that is reducing.</li> <li>- Increases in Council Tax Reduction Scheme eligibility reduces Council Tax funding.</li> <li>- Declining capital reserves.</li> <li>- The need to fund additional costs and lost income associated with Covid-19, especially leisure centres.</li> <li>- The impact on the Council Tax base from additional Council Tax Reduction Scheme eligibility.</li> </ul> <p>Risks are:</p> <ul style="list-style-type: none"> <li>- Failure to meet the statutory requirement to set a balanced budget each year.</li> <li>- Decline in staff morale and service resilience.</li> <li>- Inability to provide adequate service levels in times of increasing demand due to after effects of Covid-19 and economic downturn.</li> <li>- Inadequate funding to meet priorities for the district.</li> <li>- Failure to manage expectation of the public.</li> <li>- Failure to meet customers' demands and needs.</li> <li>- Failure to manage the public's reaction to the loss of discretionary services.</li> <li>- Failure to have sufficient financial management skills in service managers.</li> <li>- Reduced opportunities to use capital spend for initiatives that reduce ongoing revenue costs.</li> </ul>		
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>- Provides an impetus for the Council to review the way it delivers to customers (through a transformation programme) and engage with residents on the services that they value.</li> <li>- To identify opportunities for commercial income.</li> <li>- To identify Transformation ideas that the Council can develop.</li> </ul>		
<b>Consequences</b>	<ul style="list-style-type: none"> <li>- Required cuts in services impact on the achievement of the Council's vision and Council Plan.</li> <li>- Failure to bring budget base to manageable/affordable level and achieve efficiency target.</li> <li>- Significant under or over spends on revenue budgets.</li> <li>- Failure to satisfy external assessment of value for money.</li> <li>- Increase in complaints from the public about service levels.</li> </ul>		

## Managing the Council's Finances

<b>Work Completed</b>	<ul style="list-style-type: none"> <li>- Medium Term Financial Strategy updated annually to highlight the scale and timing of the savings that need to be achieved.</li> <li>- Various budget workshops and sessions to ensure that Officers and Councillors understand the scale of the issues.</li> <li>- Commitment from Administration to carry out a full budget review and subsequent budget review to determine which discretionary services are less valued. Setting up of Budget Challenge Group.</li> <li>- Transformation programme commenced.</li> <li>- Commercial team working on ideas to generate income and supporting the whole Council to think commercially.</li> <li>- Council Tax increases to maximise this as a source of income (including £5 increase/1.99% increases as allowed).</li> <li>- NHDC joined Business Rates pools and pilots as they have given the opportunity for beneficial position when they have been available.</li> <li>- Raising awareness of financial constraints (with Officers and Members) and the shared responsibility in achieving a balanced budget.</li> <li>- Produced a summary of the potential impacts of the consultation on a replacement for New Homes Bonus, which allowed a consultation response to be completed. Whilst the options could result in funding income to the Council, it is also likely that this would be variable and not a suitable basis for long-term budget planning.</li> <li>- Completed first phase of budget challenge process, including areas where service change/reduction could be implemented</li> </ul>		
<b>Ongoing Work</b>	<ul style="list-style-type: none"> <li>- Continuing to regularly update the Medium Term Financial Strategy, Council budgets and effective budget monitoring. To ensure that the current and forecast positions are fully understood. In 2022/23 (hopefully when post Covid-19 position is more certain), developing a longer term financial strategy. Also to work with Councillors on better integrating the Council Plan and Medium Term Financial Strategy.</li> <li>- Land and property sales are being progressed, subject to Cabinet approval, with external support from property agents. To generate capital receipts to allow capital investment to generate income/reduce costs, or to reduce the need to borrow and resultant revenue costs.</li> <li>- Continue to identify opportunities for income generation and efficiencies (where/if available).</li> <li>- Carry out public budget consultation process (possibly summer 2022- depending on future funding announcements).</li> <li>- Continue to monitor announcements on future funding and petition Government for a sustainable funding settlement when opportunities arise.</li> </ul>		
<b>Current Overall Risk Score</b>	9		
<b>Current Impact Score</b>	3	<b>Current Likelihood Score</b>	3
<b>Current Risk Matrix</b>		<b>Target Risk Matrix</b>	
<b>Date Reviewed</b>	09-Sep-2021	<b>Next Review Date</b>	
<b>Latest Note</b>	<p>09-Sep-2021 Based on what has happened previously, the Council's financial position will continue to be uncertain on an ongoing basis. It is likely that the amount of funding that the Council will transition between being very high risk (in periods when there is no stable funding mechanism or formula in place) and high risk (at the start of any funding period but with uncertainty over future resets). The Council's spend and income pressures will also swap between being levels of risk in the short/medium term but will always tend towards being high risk in the longer term. This reflects that over that longer period, all the Council's will become due for renewal, and that brings with it uncertainty over the cost. As the Council is able to embark on commercial projects, this will bring with it both greater opportunities and risk. The Council has embedded risk mitigation measures in place (e.g. quarterly monitoring, annual budget and MTFS processes), which inherently consider future risk. In reality there will always be financial risk with high likelihood and impact. But monitoring this through the risk register adds no additional value</p>		

Managing the Council's Finances

	or benefit. It is therefore proposed that the risk is tolerated (as we have no other choice) on an ongoing basis, and removed from the risk register.
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