Financial Risk Register

1. **Context**

1.1. Local Government has become increasingly exposed to risk and instability within the system.

1.2. Most of the financial risks identified are inherent, including the requirement to deliver savings plans, management of budgets, which relate to demand led services, and assumptions in respect of the level of resources receivable through Council Tax, Business Rates and Government grants. In addition, there are rising external factors creating an additional layer of financial risk such as the rising cost of the national living wage, the impact of inflation and increasing energy prices.

Risk area	Description of the risk	Risk mitigation
Level of Reserves	As contained in Section 7 the Robustness Statement and the Reserves Strategy in Appendix I, sets out that the Council has a reducing balance of reserves. A risk to the financial sustainability of the organisation over the medium term is if reserve balances are continually used to underpin the day to day expenditure of Council activities.	The Council has adopted an enhanced budget setting process where Service Ambitions have been designed within an affordability envelope. This is in recognition that the current delivery of services is unaffordable and transformational change is required over the MTFS period. Reserves are being used to fund activity that will directly lead to savings as identified in the 12 transformation workstreams and through creation of a more modern Council in its operation and adoption of more modern working practices. The Council adopted a Reserves Strategy in September 2023, and has been updated and included in this MTFS document. This document outlines how reserves will now be used to fund investments to fund activities that in turn lead to financial sustainability and / or to mitigate risks inherent in the services the Council delivers. This MTFS outlines that only in 2024/25 are reserves required to balance the budget, which is in line with the Financial Sustainability Strategy approved by Council in November 2022. Reserves will only be drawn down one activity that requires funding ready to be taken, and a commitment against reserves shown until this point. Use will be monitored through the regular financial reporting cycle.
	If the Council is unable to delivery savings to the timescales and values outlined in this MTFS, and is unable to mitigate during the year then reserve funding will be required to fund these delays and shortfalls.	The Council has considered these risks and there is provision within the Risk Management Contingency budget over the MTFS period and through the RAG risk rating of the savings plans a budget risk reserve has been allocated within the Financial Sustainability Strategy reserve.

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Level of one-off (non-repeatable) savings	A Council may rely on savings that are one-off in nature which puts at risk medium to longer term financial sustainability.	Savings have been planned over the MTFS period in alignment with the enhanced budget setting process. This has facilitated a shift in focus from making savings one year at time, and enabled strategic use of reserve funding to invest in activities that will lead to savings over the medium to long term.
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 financial risk for the Council over the medium term.	The Council continues 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. This approach underpins the transformational based approach to the savings identified in this MTFS. 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 financial sustainable budget across the MTFS period is reliant upon the successful delivery of the agreed savings plans.	The Corporate Leadership Team (CLT) consider the delivery of savings in two corporate boards monthly; the Risk and Finance Board and Corporate Project Management Board. The information and reports considered at these boards enables CLT to track delivery of savings and projects, taking remedial action where necessary. Delivery of savings and projects is then reported in the Finance performance reports to Cabinet and Scrutiny. Where changes in the operating environment have meant that the original savings plans are no longer achievable these are reviewed and updated as part of the MTFS budget setting process.
Income	Cost of provision of service outstrips returns or a reduced level of sales. There is a risk from the non-payment of invoices from our suppliers.	Delivery of planned income generation (and savings) is tracked through monthly financial reports and reported to CLT, Cabinet and Scrutiny. Programme and project governance will require recovery plans to be prepared where projects are identified as varying adversely from plan. The challenging economic environment has increased the risk on the recovery of debt. An assessment of the Council's bad debt has been undertaken and a provision made accordingly to mitigate the risk of the Council being able to recover this debt in full in the future. The Council

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		monitors the debt position and takes action to ensure payment of invoices.
Business rates	The Council will benefit from any growth in business rates but also shares the risk of volatility of collecting business rates, changes to business rates during the financial year and administration costs associated with collecting business rates. The government's 'Check, challenge and appeal' system has 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 collection rates Business Rates reforms have been further postponed. At present it is not clear how this could impact on the Councils funding levels	The finance team aligns forecasts using an 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 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. Collection rate is on target and recovery action takes place on a timely basis. This is monitored by officers throughout the year and report to CLT. Officers will feedback to all consultations, to ensure all Rutland's views are communicated and considered. As information becomes available officers will model the financial impacts, and ensure the budget reflects the appropriate funding levels.
Council Tax and Local Council Tax Support (LCTS)	Non-collection rates increase beyond the budget assumptions. An increase in the levels of Local Council Tax Support (LCTS) claim levels, beyond budget assumptions. The current challenging economic climate, with the Cost of Living crisis, could increase the level of LCTS claims the Council has received, due to an increase in the levels of hardship being experienced.	Officers monitor the collection rate regularly and quarterly dashboard reports are made available to the s151 officer and the CLT 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. The Council will revise future year forecasts of council tax income accordingly. The LCTS case loads are being monitored by officers alongside the use of the Council's additional support funds of the Hardship, Discretionary, and Financial Crisis Funds.
Local Government Reforms	The Funding reforms (also known as the Fairer funding Review) presents a risk for the Council as it means there is uncertainty surrounding its future funding levels. Ministers have indicated that this review will form part of future proposals post a General Election in 2024. Government introduces new burdens for Local Authorities for example waste collection and disposal, and adult social care	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 consultations, to ensure all Rutland's views are communicated and considered. As information becomes available officers will model the financial impacts, and ensure the budget reflects

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	reforms. These burdens may or may not come with additional funding from government, the new expenditure exceeds funding available, or funding is provided but reduces over time which creates a new service expenditure burden.	the appropriate funding levels. This will include using the modelling tools which are available to us from PIXEL and the LGA. Officers will consider if there are opportunities for additional fees and charges, and other income sources to reduce the burden from new services.
Partnership working / contractual commitments	The Council outsources or contracts out a large proportion of services on a long-term basis to third party organisations. There is a risk that the council could be subject to increased costs from these contracts due to: • General inflation • Increasing salary costs • Fuel / energy price rises • Care Market sustainability • Pressures within the Local Government neighbouring authorities where services are procured 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 reviews all contracts with a view to achieving improved value for money through strengthened contract management arrangements and negotiation of variation to services delivered. The Council's Contract Procedure Rules requires that all contracts have a named contract manager for the duration of the contract. 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	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 capital programme is monitored and reported by officers within the monthly financial performance reports. The Council is updating the Terms of Reference for the officer led Capital Programme Board. The Board will meet regularly to review the progress of schemes contained in the capital programme and evaluate new proposals or opportunities available to the Council. The larger capital schemes will fall under the Council's programme management framework and therefore have associated governance structures to further mitigate the risk to the Council eg the Levelling Up Fund programme. 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 agreements. Grant bids to be worked up by the budget / project managers in partnership with the finance team, in line with previous successful bid submissions.

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	The capital programme is also reliant on capital receipts to fund some schemes.	Achievement of capital receipts is monitored as part of the financial performance reports that are considered by CLT, Cabinet and Scrutiny. The finance team receive information on the latest forecasts for sale completion, estimated level of receipt, and the market environment operating under from the property team. The Asset Review work undertaken as part of the transformational workstreams will identify further opportunities as part of the asset management plan.
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.	The inflation position and forecasts will be reviewed, and the impact monitored through regular finance performance reporting. Mitigating actions will be taken accordingly to manage activity within the budgets set. The Council is not reliant on borrowing to fund the capital programme and therefore the risk exposure to rising interest rates is mitigated. The Council current debt portfolio is based on fixed rate loans so there is on exposure to interest rate rises from variable rate loans.
Financial resilience	There is a risk that the Council's financial resilience is put under strain to withstand the combined pressures of reducing grant funding and the increased cost and demand pressures.	The MTFS report sets out that the Council still has a challenge ahead, in order to achieve financial sustainability in the future. Savings plans outlined within this MTFS are achievable albeit challenging. The use of reserves to underpin the budget is now only planned for 2024/25. The Council has reviewed its budget setting process and adopted an enhanced approach that puts service delivery at the heart of how it spends its money. Service Ambitions have been designed within an affordability envelope meaning that longer term savings are captured and balanced against the need for short term savings. This MTFS also includes a set of financial health indicators so that Council is able to make decisions on the MTFS based on the knowledge of previous Council decisions. The indicators show that the financial risk to the Council is the yearly funding of the revenue budget, with a relatively healthy balance sheet position to support ongoing achievement of saving plans.
Climate change	The impacts of climate change in the UK and around the world are clear and demand urgent action. Climate change that impacts lives and livelihoods and the reshaping of landscapes and communities is already being experienced.	The Council's refreshed draft Corporate Strategy proposes Tackling Climate Change as a key priority for the Council. Under this priority the following objectives are planned: • Reduce carbon emissions and adapt to the impact of climate change. • Increase biodiversity in the County. • Further increase recycling rates and reduce levels of waste.

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	The Council is committed to mitigate this risk to residents, businesses and stakeholders	• Improve public transport links and opportunities for greener forms of travel. This MTFS includes service investments to aid the delivery of this key priority which will be monitored as part of the regular finance and corporate performance reporting.
Recruitment & retention	The Council is experiencing challenges with recruitment and retention in some critical roles. This is not a specific risk to the Council with a number of influencing factpaors such as: • Expectations from an agile workforce post the pandemic • Succession planning seen less of a priority in the sector as whole has created a knowledge gaps as staff retire • Pay rates • Competition between local authorities • Public sector less attractive through reducing budgets The loss of staff mean there is a risk to the delivery of the Corporate Strategy and performance of key services may suffer	The Council monitors and reports on this risk as part of the Strategic Risk Register. There are a series of actions to mitigate this risk (see latest Risk Register considered at Audit & Risk Committee – December 2023, Item 10). The Corporate Leadership Team (CLT) consider the delivery and impact of services on a monthly basis through finance reporting. The information and reports considered track financial performance, which is directly linked to performance, with the latter considered quarterly as part of the Performance reporting also considered by CLT, Cabinet and Scrutiny.
Deficit on the High Needs block of the Dedicated Schools Grant (DSG)	The Council has a deficit balance on the DSG estimated to be £1.9m by 31 March 2024. From 1 April 2020 a new regulation was introduced that enabled any deficit on the Schools budget to be transferred to the Dedicated Schools Grant Adjustment Account which had the effect of separating the schools budget deficits from the local authority General Fund until March 2026. There is a risk that the School's deficit continues to increase and schools are not able to make good the deficit through application of the DSG funding when the override is removed in March 2026.	The Council has set aside funds in the reserve to cover the costs of the cash flow of funding this deficit. The Council is part of the Department of Education's Delivering Better Value (DBV) programme which is providing support to aid the Council in activities that reduce the demands of SEN to create a financial sustainable system which it is not at present. The Council has previously made provision to support this deficit from General Fund balances. However, this requires approval from the Secretary of State as it is cross subsidy of government departments and therefore not a guaranteed solution.
The Local Plan	The Council voted in September 2021 to restart its Local Plan process and set aside £1.4m with further contribution of £0.62m to increase the fund to £2.02m. There is a risk that without the Local Plan in place that the Council's exposure to planning appeals is increased.	The Council has ringfenced reserves of £1.7m remaining, which will be drawn down in line with the profile to fund the costs of producing the New Local Plan and the additional resources required due to not having a 5 year land supply. The Council follows the local plan policy to ensure that decisions are appropriately made. Where planning appeals are successful the

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		Council will mitigate any potential cost pressures this causes, and where necessary will drawn down on reserve funding.