

CR35 Unsustainable Medium-Term Finances Detailed risk register

Report Author: Paul Dudley

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Rows are sorted by Risk Score

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date	Current Risk score change indicator
CR35 TBC Unsustainable Medium Term Finances	<p>Causes: Anticipated decline in public sector funding (local government and Police), increasing demands (revenue and capital) and an ambitious programme of major project delivery threaten our ability to continue to deliver a vibrant and thriving Square Mile Normal course of business unable to function due to COVID 19 restrictions BREXIT compounding market uncertainty and exacerbating the economic downturn. Major contraction in key income streams and increase in bad debts. Police Transform programme fails to realise the budget mitigations anticipated Reduction in the value of investments- property and securities- reduces available capital for major project financing.</p> <p>Event: Inability to contain financial pressures within year (2020/21) and compensatory savings and/or income generation to meet the Corporation's forecast medium term financial deficit will not be realised.</p> <p>Effects:</p>	<p>Likelihood</p> <p>Impact</p>	24	<p>Current annual estimated impact is an overspend of £30m across the three funds; £20m of which is City Fund. Driven mainly by income loss in the following areas: Barbican, GSMD, Tower Bridge, Animal Reception Centre and Events. Mitigations include spend reduction and furloughing of casual staff and permanent staff not able to work (£1.3m recovered from government to date).</p> <p>Cash flow position is holding up well.</p> <p>Balance Sheet- it is too early to assess any permanent re-valuation. Securities portfolio- after an initial drop has largely recovered the Dec 2019 valuation.</p> <p>Too early to assess any permanent</p>	<p>Likelihood</p> <p>Impact</p>	12	31-Mar-2021	↑

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19-Jun-2020 Caroline Al-Beyerty	<p>Additional savings over and above those identified through the Fundamental Review to meet this challenge are required and/or closure in some areas reserves are utilised and/or services stopped.</p> <p>The City Corporation's reputation is damaged due to failure to meet financial objectives or the need to reduce services / service levels to business and community.</p> <p>Being unable to set a balanced budget which is a statutory requirement for City Fund.</p> <p>Spend is not aligned to Corporate Plan outcomes resulting in suboptimal use of resources and/or poor performance.</p> <p>Capital projects stalled due to COVID restrictions.</p> <p>Stakeholders experiencing reduced services and service closures.</p>			<p>adjustment to property valuations.</p> <p>Large proportion of Fundamental Review savings especially from the target operating model work are deferred putting further pressure on current year budget achievement.</p> <p>Police-forecast underspend of £4m- due to delays in recruitment. Beyond 20/21, though, residual deficits of £3m pa in the Police MTFP remain to be resolved.</p> <p>Most capital projects have stalled- prioritisation exercise commenced to only restart essential schemes Re-budget planned for the autumn and MTFP being remodelled.</p> <p>Possible further mitigations: - Maximising COVID recovery funding from govt -Maintaining tight financial disciplines -Review major commitments, including options for re-profiling cyclical works programme.</p> <p>01 Jul 2020</p>				Increasing
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR A	A reduction in key income streams and increase in bad debt	<p>This is being monitored monthly, with action being taken to reduce spend where possible</p> <p>Key Impact areas:</p> <p>Property investment income – initially deferred, likely to crystallise high % bad debt. Currently estimating £6.4m adverse variance. Forecasts will be revised at the end of the June quarter when it will be possible to get first indications of likely payment trends.</p>	Julie Smith	19-Jun-2020	31-Mar-2021

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		<p>Impact on cash balances invested in money market funds- forecasting reduction of £1.8m.</p> <p>For Chief Officer cash limited budgets: estimated adverse variance is £30m across the three funds – largely due to loss of income. After mitigation the areas most affected are: Barbican £13.3m, Tower Bridge £1.8m, GSMD £1.8m, Fees & Charges in DBE £2.7m Animal Reception Centre £1.8m and Event income losses of £0.9m</p>			
CR B	To reduce strain on cash flow.	<p>Our cash flow is in a good position; stress testing worst-case scenarios indicates we have enough cash balances to see us through to March 2021. Cash flow position assisted by holding of near-cash money market funds.</p> <p>Review major commitments, including options for re-profiling.</p>	James Graham; Julie Smith	19-Jun-2020	31-Mar-2021
CR C	Increased expenditure related to COVID measures-maximise recovery from government	<p>In the short-term, high % of additional expenditure recoverable from government, and recruitment controls putting downward pressure on budgets. But a significant proportion of Fundamental Review savings, especially from the target operating model work, are deferred. Police year end forecast is an underspend of £4.0m, primarily due to delay in recruiting. CoLP are also able to claim losses as a result of COVID-19 from the Home Office.</p> <p>Possible mitigations</p> <ul style="list-style-type: none"> • Maximising recovery from government- spend is being coded and monitored • Furloughing workers has been explored and rejected. <p>Maintaining tight financial disciplines.</p>	Julie Smith	19-Jun-2020	31-Mar-2021
CR D	<p>Inability of occupiers to pay rates as their income falls and business models are damaged.</p> <p>A reduction in demand for office space in the square mile, leading to lower occupation and business rate income.</p> <p>The Corporation is currently benefitting from growth in business rates retained income of c£40m.</p> <p>Non-payment of rates across London leading to difficulties in meeting cash flow payments as host of the pool.</p>	<p>Monthly monitoring in place. The immediate impact of COVID-19 has been to lower the collection rate for business rates. For April, the cash position was 16% lower than the previous year; forecast across the year is 12%.</p> <p>Should lower levels of collection be deemed un-collectable, impact of lower income will be felt in future years, with the GLA and Central Govt taking their proportional share.</p> <p>Reduction in growth will be felt in year.</p> <p>Should business rate income fall by more than 20%, the safety net would be reached.</p> <p>Modelled scenarios have been included in the revised MTFP- high level of income volatility.</p> <p>Host: The Govt has recognised the cashflow impacts of business rates and has deferred its</p>	Phil Black; Neilesh Kakad	19-Jun-2020	31-Mar-2021

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		share for April-June, which has been re-profiled over the remainder of the year.			
CR E	Impact on investments: securities/property	<p>After an initial fall in value of around 8% City's Cash and 3.2% BHE, values have largely recovered. Too soon to assess longer term position here and for Pension Fund. To be monitored on a monthly basis.</p> <p>Too early to assess impact, but actions on deferral is aimed at retaining tenants.</p> <p>If tenants default- there is a high risk of long lead in periods (of up to 24 months) to find new tenants</p>	Nicholas Gill; James Graham	19-Jun-2020	31-Mar-2021
CR F	Impact on the MTFP	<p>FR proposals affecting staff put into abeyance during CoLC's response to Covid-19.</p> <p>CHB currently reviewing achievability of savings built into the MTFP</p>	Caroline Al-Beyerty; Alistair Cook	19-Jun-2020	31-Mar-2021
CR G	Reassessing the Fundamental Review project plan.	<p>FR proposals affecting staff put into abeyance during CoLC's response to Covid-19.</p> <p>CHB currently reviewing achievability of savings built into the MTFP.</p>	Simon Latham	19-Jun-2020	31-Mar-2021
CR H	To implement the Fundamental Review project plan- TOM	<p>HR Programme Director appointed 6 Jan 2020 to co-ordinate the implementation of a key aspect of the project plan. Programme work plan produced in Jan 2020. Berkeley Partnership commissioned to assess and help co-design a future TOM, which help to finalise the work programme.</p> <p>Proposed work programme due to be taken to RASC Away Day on 5 March and P&R on 19 March</p>	Simon Latham	19-Jun-2020	31-Mar-2021