

Committee: Audit and Risk Management Committee – <i>For Decision</i>	Date: 14 July 2020
Subject: Corporate Risk Update	Public
Report of: The Chamberlain	For Decision
Report author: Paul Dudley, Corporate Risk Manager	

Summary

This report seeks the Committee's endorsement for a new corporate risk (CR35 – Unsustainable Medium-Term Finances) as well noting the related effects on other corporate risks.

CR35's focus is the current financial position, as a result of the Covid-19 pandemic, the Fundamental Review as well as consequences for the Medium-Term Financial Plan (MTFP).

CR35 enables the existing corporate risks CR23 Police Funding and CR 31 Fundamental Review to be consolidated within this new risk. CR23 and CR31 will, subject to endorsement of the CR35 Unsustainable Medium-Term Finances risk be removed from the corporate risk register.

In addition, CR27 Change Management has been de-escalated to departmental level (Town Clerk's department) until there is a clear way forward on the Target Operating Model (Part of the Fundamental review plan).

Recommendations

The Committee is asked to:

- endorse the inclusion of CR35 Unsustainable Medium-Term Finances risk on to the corporate risk register;
- note that, as a consequence, CR23 Police Funding and CR31 Fundamental Review have been incorporated within CR35 Unsustainable Medium-Term Finances. Both CR23 and CR31 will be removed from the corporate risk register; and,
- note the de-escalation of CR27 Change Management to departmental level (Town Clerk's department).

Main Report

Background

1. Members were advised at their meeting on 2 June 2020 that a new corporate risk on the City Corporation's financial position was under development and would be presented to the Committee on 14 July 2020 for endorsement.

CR35 Unsustainable Medium-Term Finances

2. The purpose of this new risk is to clearly identify one corporate risk that captures the risk exposure to the City Corporation's finances both in the short and medium term. This is set out in the attached detailed risk register report for CR35 Unsustainable Medium-Term Finances (appendix 1).
3. The risk highlights a number of key areas of risk exposure (see a to f below). This may lead to an inability to contain financial pressures within year (2020/21) and not realising the compensatory savings and/or income generation to meet the Corporation's forecast medium term financial deficit.
 - a. 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
 - b. Normal course of business unable to function due to COVID 19 restrictions
 - c. BREXIT compounding market uncertainty and exacerbating the economic downturn.
 - d. Major contraction in key income streams and increase in bad debts.
 - e. Police Transform programme fails to realise the budget mitigations anticipated
 - f. Reduction in the value of investments- property and securities- reduces available capital for major project financing.
4. The CR35 Unsustainable Medium-Term Finances Risk has a current score of a red 24 with a target score of 12 and target date on 31 March 2021. There are eight key actions assigned to mitigate this risk by the target date. This risk (including the current and target risk scores) will be kept under regular review in line with the existing corporate risk review and updating processes.

Effects on Other Corporate Risks

5. As a consequence of having a wider ranging financial risk (CR35) both CR23 Police Funding and CR31 Fundamental Review are now incorporated within CR35 Unsustainable Medium-Term Finances. Subject to Committee endorsement CR23 and CR31 will be removed from the corporate risk register.
6. Members may also recall discussion concerning CR27 Change Management where progressing the management of this risk has been in abeyance pending the development of a new finance risk. The Town Clerk has decided that CR27

should be held now at departmental level pending clarification on the Target Operating Model, which will be the principal driver for change management within the City Corporation.

Impact on the Corporate Risk Register

7. Taking these changes into account the corporate risk register now comprises of 17 risks. A list of all corporate risks, in summary form, is attached as appendix 2 which includes CR35 but excludes CR23 and CR31. CR27 has also been removed.

Conclusion

8. As a result of the development of a wider ranging new corporate risk – CR35 Unsustainable Medium-Term Finances, CR23 Police Funding and CR31 Fundamental Review will be removed from the corporate risk register. CR27 Change management has been de-escalated to departmental level pending the outcome of the Target Operating Model, which will be the drive for change management within the City Corporation.

Appendices

- Appendix 1 – Corporate Risk Register Extract – CR35 Unsustainable Medium-Term Finances
- Appendix 2 – List of All Corporate Risks – Summary form (includes CR35 but excludes CR23 and CR31. CR27 has also been removed)

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