

CR 35 and CR38 - detailed report EXCLUDING COMPLETED ACTIONS

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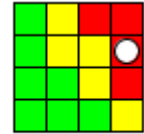
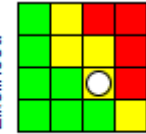

Risk no, title, creation date, owner	Risk Description (Cause, Event, Impact)	Current Risk Rating & Score		Risk Update and date of update	Target Risk Rating & Score		Target Date/Risk Approach	Current Risk score change indicator
CR35 Unsustainable Medium Term Finances - City Fund	<p>Causes: High inflation – Office for Budget Responsibility forecasting peak in Autumn 2022. Construction inflation running at 20%. Contraction in key income streams and increase in bad debts following post pandemic change in working practices. Police Transform programme fails to realise the budget mitigations anticipated within the MTFP. 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.</p> <p>Event: Inability to contain financial pressures within year (2022/23) and compensatory savings and/or income generation to meet the Corporation’s forecast medium term financial deficit will not be realised. Inability to contain construction inflation or inability to rescope capital schemes within budgets.</p> <p>Effects: Additional savings over and above those identified to meet this challenge are required, reserves are utilised and/or services stopped. The City Corporation’s reputation is damaged due to</p>	<p>Likelihood</p> <p>Impact</p>	24	<p>Retail Price Index rose by 12.6% and Consumer Price Index rose by 10.1% in 12 months to September 2022. Inflation is predicted to fall to 4% in 2023, however increases are feared to be embedded creating pressures on service/departmental 2022/23 budgets and on the Housing Revenue Account.</p> <p>Construction inflation has risen to c20%</p> <p>Pinch points are currently being identified by finance business partners. Mitigations currently include inflation contingencies and tight financial disciplines.</p> <p>Income from investment property and from business rates holding up well. The £30m ringfenced reserve for income loss has not been utilised.</p> <p>The risk score has increased to red.</p>	<p>Likelihood</p> <p>Impact</p>	8	31-Mar-2023	

<p>19-Jun-2020 Caroline Al-Beyerty</p>	<p>failure to meet financial objectives or the need to reduce services / service levels to business and community. Being unable to set a balanced budget which is a statutory requirement for City Fund. Inability to deliver capital programme and major projects within affordability parameters. Spend is not aligned to Corporate Plan outcomes resulting in suboptimal use of resources and/or poor performance. Stakeholders experiencing reduced services and service closures.</p>			<p>Trigger point was reached on capital programme.</p> <p>Policy and Resources Committee has increased the budget on Salisbury Square by £60m, however £57m of that is allocated to City's Cash as relates to the Courts element.</p> <p>Resource Allocation Sub Committee is currently reprioritising the BAU capital programme.</p> <p>The CWP programme is being considered under the Operational Property review with recommendations to Operational Property and Projects Sub Committee.</p> <p>Regular monitoring of inflationary pressures, with Quarterly reporting of inflation against contingencies held.</p> <p>04 Nov 2022</p>			<p>Accept</p>	<p>Constant</p>
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR35a	<p>Impact of inflation</p> <ul style="list-style-type: none"> • Rising inflationary pressures on energy costs • Rising inflationary pressures on construction and labour costs 	<p>1) Inflation contingency held: 3% 22/23 additional sums allocated from 21/22 underspends 23/24 includes 4% inflation increase within departments and 2% efficiency saving;</p> <p>2) CF - £3m contingency ringfenced for construction inflation under Major Projects reserve.</p> <p>The MTFP assumptions will be reviewed as part of 2023/24 budget setting. Some mitigations provided with increased income from cash balances.</p>	Sonia Virdee	04-Nov-2022	31-Mar-2023
CR35b	<ul style="list-style-type: none"> • Capital schemes are forecast to exceed budget. <p>Reprioritisation of the schemes within envelope is needed and latest position will be reported to Resource Allocation</p>	<p>Capital schemes are forecast to exceed budget. Reprioritisation of the schemes within envelope is needed and latest position will be reported to Resource Allocation Sub Committee for approval in November 2022 following discussion with Chairmen.</p>	Mark Jarvis; Paul Murtagh	04-Nov-2022	31-Mar-2023

	<p>Sub Committee for approval in November 2022 following discussion with Chairmen.</p> <ul style="list-style-type: none"> • Review of HRA commissioned and due to report at the end of November 2022. • Alternative sources of funding for Fire Safety Works element of Major Works Programme to enable HRA to remain in surplus. • Need to monitor identified expenditure risks around recovery of leaseholder contributions following the decision not to allow the Appeal of the Great Arthur Cladding case. • Housing 30 year financial projects have been completed. 	<p>Review of HRA commissioned and due to report at the end of November 2022. Housing 30 year financial projects have been completed.</p> <p>Alternative sources of funding for Fire Safety Works have been agreed.</p> <p>Need to monitor identified expenditure risks around recovery of leaseholder contributions following the decision not to allow the Appeal of the Great Arthur Cladding case.</p>			
CR35c	<p>£400m cost pressure identified for the major projects across City Fund and City's Cash. Reprioritisation required and periodic monitoring.</p>	<p>Policy and Resources reprioritised ambitions at its October meeting to remain within the affordability envelope.</p> <p>Resource Allocation Sub Committee currently considering action needed to ensure the capex programme remains within budget or headroom can be found from ring fenced funds.</p> <p>Capital Buildings Committee monitoring delivery within the revised budget envelopes.</p> <p>Periodic reporting on capital position to Finance Committee – next report to December Finance Committee.</p>	Sonia Virdee	04-Nov-2022	31-Mar-2023
CR35d	<p>Reduction in business rates, E.g. through reduction in occupancy or ability to pay.</p>	<ul style="list-style-type: none"> • Monthly monitoring in place. The 2022/23 collection rate figure for Q2 is 56.22% which is significantly up on the same point last year which was at 50.69%. Improved collection has been assisted by the award of the CARF scheme. • The COVID Additional Restriction Relief scheme (CARF) has been provided to 11,500 businesses. This resulted in a 20% reduction to business rates bills for 21/22 and represents a total of £60m in relief. • Collection fund deficit to be factored into the MTFP. • There has been an increase in the amount of empty property resulting in more relief being claimed. • Business Rate appeals linked to COVID have been ruled out due to Govt legislation, but we are seeing an increase in appeals on other grounds. • Impacts will continue to be monitored. 	Phil Black	04-Nov-2022	31-Mar-2023
CR35e	<p>A reduction in key income streams and increase in bad Debt</p>	<p>This is being monitored monthly, with action being taken to reduce spend where possible.</p>	Phil Black; Sonia	04-Nov-2022	31-Mar-2023

	<p><i>Triggers:</i> <i>Increase in loss of property investment portfolio income over £5m p.a.</i></p>	<p>Budget forecast for 22/23 includes reduced income, with recovery profiled across the medium term. In addition, Chief Officers continue to work with tenants on a payment plan to mitigate potential issues. The moratorium against legal action for recovery has now lifted</p> <p>Sums to mitigate risk are being held in Reserves - £30m in City Find.</p> <p>Outstanding sums are reducing across all Income Streams with significant improvement in Investment Property, Business Rates and Council Tax. Council Tax income is now above pre-pandemic levels and Investment Property.</p>	Virdee		
CR35f	<p>Achievement of current Savings Programme – includes flight path savings (Fundamental Review) and securing permanent year on year savings (12%).</p>	<p>Biggest risk relates to Police - £13m p.a. cumulative sustainable savings included in MTFP. There is a risk to delivering elements of these savings plan and sustaining the savings. To monitor and manage residual risks to the Police MTFP post-BRP increase (including increased inflation, mitigation delivery risks and new areas of pressure or grant reduction). Star chamber led by the Chamberlain and Town Clerk are currently taking place to ensure departments are achieving savings. This is further supported by Member led bilateral meetings with service committee chairmen for departments that have not achieved year on year permanent savings.</p>	Alistair Cook; Sonia Virdee	04-Nov-2022	31-Mar-2023

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/Risk Approach	Current Risk score change indicator
CR38 Unsustainable Medium Term Finances - City's Cash	<p>Causes: High inflation –Office for Budget Responsibility forecasting peak in Autumn 2022. Construction inflation running at 20%. Contraction in key income streams and increase in bad debts following post pandemic change in working practices.</p> <p>Event: Inability to contain financial pressures within year (2022/23) and compensatory savings and/or income generation not realised requiring further draw down on Reserves. Inability to contain construction inflation or inability to rescope capital schemes within budgets.</p> <p>Effects: Additional savings over and above those identified to meet this challenge are required, reserves are utilised and/or services stopped. 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. Inability to deliver capital programme and major projects within affordability parameters. Spend is not aligned to Corporate Plan outcomes resulting in suboptimal use of resources and/or poor performance. Stakeholders experiencing reduced services and service closures.</p>	 <p>Likelihood</p> <p>Impact</p>	<p>24</p>	<p>Retail Price Index rose by 12.6% and Consumer Price Index rose by 10.1% in 12 months to September 2022. Inflation is predicted to fall to 4% in 2023, however increases are feared to be embedded creating pressures on service/departmental 2022/23 budgets.</p> <p>Construction inflation has risen to c20%</p> <p>Pinch points are currently being identified by finance business partners. Mitigations currently include inflation contingencies and tight financial disciplines.</p> <p>Income from investment property has slightly fallen however plans are in place to bring this back to budget.</p> <p>The risk score has increased to red.</p> <p>Trigger point was reached on capital programme.</p> <p>Policy and Resources Committee has reprioritised the major projects; and rescoped the Markets project.</p> <p>Resource Allocation Sub Committee is currently reprioritising the BAU capital programme.</p> <p>The CWP programme is being considered under the Operational Property review with</p>	 <p>Likelihood</p> <p>Impact</p>	<p>8</p>	<p>31-Mar-2023</p>	

31-Oct-2022	Caroline Al-Beyerty			<p>recommendations to Operational Property and Projects Sub Committee.</p> <p>Regular monitoring of inflationary pressures, with Quarterly reporting of inflation against contingencies held.</p> <p>04 Nov 2022</p>			Reduce	Constant
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Action no	Action description	Latest Note	Action owner	Latest Note Date	Due Date
CR38a	<p>Impact of inflation</p> <ul style="list-style-type: none"> • Rising inflationary pressures on energy costs • Rising inflationary pressures on construction and labour costs 	<p>The five year financial plan is currently being reworked for 2023/24 budget cycle:</p> <p>1) Inflation contingency held: 3% 22/23 additional sums allocated from 21/22 underspends 23/24 includes 4% inflation increase within departments and 2% efficiency saving;</p> <p>2) £1m contingency ringfenced for construction inflation under capital programme.</p>	Sonia Virdee	04-Nov-2022	31-Mar-2023
CR38b	<p>Impact of construction inflation on capital programme:</p> <ul style="list-style-type: none"> • Major projects • Business as usual capital programme 	<p>£400m cost pressure identified for the major projects across City Fund and City's Cash. Policy and Resources reprioritised ambitions at its October meeting to remain within the affordability envelope.</p> <p>Resource Allocation Sub Committee currently considering action needed to ensure the capex programme remains within budget or headroom can be found from ring fenced funds.</p> <p>Capital Buildings Committee monitoring delivery within the revised budget envelopes</p> <p>Periodic reporting on capital position to Finance Committee.</p>	Sonia Virdee	04-Nov-2022	31-Mar-2023
CR38e	<p>A reduction in key income streams and increase in bad Debt</p> <p><i>Triggers:</i></p> <p><i>Increase in loss of property investment portfolio income over £5m p.a.</i></p>	<p>This is being monitored monthly, with action being taken to reduce spend where possible.</p> <p>Budget forecast for 22/23 includes reduced income, with recovery profiled across the medium term. In addition, Chief Officers continue to work with tenants on a payment plan to mitigate potential issues. The moratorium against legal action for recovery has now lifted.</p> <p>Outstanding sums are reducing across all Income Streams with significant improvement in Investment Property, Business Rates and Council Tax. Council Tax income is now above pre-pandemic levels and Investment Property.</p>	Phil Black; Sonia Virdee	04-Nov-2022	31-Mar-2023

CR38f	Achievement of current Savings Programme – includes flight path savings (Fundamental Review) and securing permanent year on year savings (12%).	Star chambers led by the Chamberlain and Town Clerk are currently taking place to ensure departments are achieving savings. This is further supported by Member led bilateral meetings with service committee chairmen for departments that have not achieved year on year permanent savings.	Sonia Virdee	04-Nov-2022	31-Mar-2023
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