

AUDIT COMMITTEE

Thursday, 26 September 2024 at 7.30 pm

SUPPLEMENTARY PAPERS

The following papers have been added to the agenda of the above meeting. They were not available when the agenda was originally published.

Joanne Wagstaffe, Chief Executive

5. FINANCIAL BUDGETARY RISK REPORT

(Pages 3
- 4)

This report advises the Committee on the latest position in respect of the evaluation of financial risks facing the Council for discussion and any recommendations or comments they wish to make.

Recommendation:

That the Committee review the risk register and make any comments it wishes to make against individual risks.

General Enquiries: Please contact the Committee Team at
committeeteam@threerivers.gov.uk

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Date risk added to register	Risk ref	Risk owner	Category	Risk description	Comment	Likelihood score (inherent)	Impact score (inherent)	Inherent risk score	Risk controls	Risk control owners	Likelihood score (residual)	Impact score (residual)	Residual risk score	Risk direction	Action plan	Action plan owners	Action plan completion dates
Sep-15	FIN07	Director of Finance	Strategic	The Medium term financial position worsens.	With the change in Government and the commentary currently being about a period of austerity to 'Fix the public finances', it is unlikely that additional resources will be forthcoming for local government in the next settlement. This risk reflects the position that the general fund balance falls below the minimum prudent threshold and	4	4	16	The Council maintains a healthy level of balances and continues to actively monitor its budgets, taking action in year where necessary. Currently the Council is benefitting from a high level of interest income due to higher than anticipated interest rates and high levels of cash balances.	Head of Finance	3	2	6	→	Regular budget monitoring reports to committees; Budgetary and Financial Risk Register reviewed and updated as part of the budget monitoring process; identification of budgetary pressure when reviewing the medium term financial plan during the budget setting process which includes a risk assessment for the prudent level of general balances and an assessment of financial resilience with reference to the CIPFA Financial resilience index.	Heads of Service/ Head of Finance	Continuous
Apr-06	FIN08	Director of Finance	Budgetary	The pay award exceeds estimates included in the MTFP resulting in unplanned and unsustainable use of reserves.	The Council's 3 year Medium term Financial Strategy includes forecast pay awards for the next three years. The 2024/25 pay award has not been agreed and recent public sector settlements have been higher than the current employers offer.	4	3	12	The current pay offer is covered by the contingency within the budget. The MTFS contains an allowance for next year but this may not be sufficient if awards remain high. Maintain reserves to guard against risk. Early identification of new pressures through Budget Monitoring.	Head of Finance	3	2	6	→	The Council's 3 year Medium term Financial Strategy includes forecast pay awards for the next three years. The Council maintains reserves to guard against risk including setting a prudent minimum level for general balances. Early identification of new pressures through Budget Monitoring enable the Council to take steps to bring the budget back into balance.	Head of Finance	Continuous
Apr-06	FIN09	Director of Finance	Budgetary	Other inflationary increases exceed estimates included in the MTFP resulting in unplanned and unsustainable use of reserves.	Other than contractual agreements, budgets are cash limited where possible and budget managers are expected to manage increases within existing budgets.	2	3	6	Monitor future inflation projections. Actively manage budgets to contain inflation. Maintain reserves.	Service Heads/Head of Finance	2	2	4	↓	Monitor future inflation projections. Actively manage budgets and contracts to contain inflation. The Council maintains reserves to guard against risk including setting a prudent minimum level for general balances. Early identification of new pressures through Budget Monitoring enable the Council to take steps to bring the budget back into balance.	Head of Finance	Continuous
Jan-15	FIN10	Director of Finance	Budgetary	Interest rates increase or decrease resulting in significant variations in estimated interest income (investments) or interest expense (borrowing)	The Council remains cash positive so is experiencing a short term benefit from higher interest rates. Over the longer term rates are expected to come down allowing the Council to borrow for future capital	3	2	6	The Council has a Treasury Management Strategy which is reviewed annually. The Council is looking to lend out over a longer period to maximised the benefit from temporary higher rates.	Head of Finance	3	2	6	→	The Audit Committee receives two reports per year on Treasury Management activity and interest income and expenditure is monitored through the Budget Monitoring Report.	PIB	Continuous
Apr-06	FIN11	Director of Finance	Budgetary	Inaccurate estimates of fees and charges income and / or estimates of cost of delivering chargeable	A budget pressure is created due to income shortfalls or increased expenditure	3	2	6	Budget levels realistically set and closely scrutinised	Service Heads/Head of Finance	2	2	4	→	Fees and charges, including and surplus or loss are monitored through budget monitoring with key income streams reported to CMT.	Service Heads	Continuous

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Apr-06	FIN12	Director of Finance	Budgetary	The Council loses the ability to recover VAT as a result of exceeding the partial exemption threshold resulting in budgetary pressure.	If the council's expenditure on functions for which it receives income that is exempt for VAT purposes exceeds 5% of its total VATable expenditure, then	2	4	8	VAT Planning and opt to tax on schemes. VAT advisers employed.	Head of Finance	1	4	4	➡	Partial Exemption Review is undertaken annually with support provided by the Council's external tax advisors, PS Tax. The Council continue to opt to tax land where appropriate.	Head of Finance	Continuous
Dec-13	FIN13	Director of Finance	Budgetary	The estimated cost reductions and additional income gains set out in the MTFP are not achieved resulting in an unplanned	Savings identified and included in the budget will be monitored as part of the budget monitoring process. See fees and	2	3	6	Service Heads to take responsibility for achieving savings. Budget monitoring to highlight any issues to allow corrective action to be	Service Heads/Head of Finance	2	2	4	➡	Budget process to clearly identify savings to be achieved and ensure clarity over responsibility over delivery. Savings to be challenged.	Head of Finance	Continuous
Apr-06	FIN14	Director of Finance	Budgetary	The Council is faced with potential litigation and other employment related risks	The Council has no material outstanding litigation cases.	2	3	6	Council procedures are adhered to	Solicitor to the Council	1	3	3	➡	Adherence to council procedures to be monitored and procedures maintained.	Solicitor to the Council	ongoing
Dec-13	FIN18	Director of Finance	Budgetary	Business Rates Retention fluctuates impacting on the amount of funding received by the Council.	The significant revaluations for 2023 introduce additional risk of appeals which could result in a reduction to income. Additional government support for creative industries. The Council was not included in the Business Rate pool for 2024/25 because of the	3	4	12	Maintain reserves against risk. Work with LG Futures to manage collection fund and maximise opportunities for pooling should this be an opportunity in 2025/26.	Head of Finance	3	3	9	➡	Hertfordshire CFOs continue to work with LG Futures to assess the impact on individual Councils in Hertfordshire and the impact on the ability to create a business rate pool for 2025/26. The scale of appeals is still unknown but this is likely to become clearer over the next 24 months as transitional relief reduces for businesses impacted by the increases in rateable value.	Director of Finance	Continuous
Jul-16	FIN20	Director of Finance	Budgetary	Failure of ICT systems	The Council's integrated Financial Management System (FMS) is held on an	3	2	6	System migrated to latest version. Payments system updated.	Head of Finance	1	2	2	➡	Monitor reliability	Head of Finance	Continuous
Mar-08	FIN21	Director of Finance	Budgetary	Property Investment	The Property Investment Board manage its property portfolio in order to secure additional income to support its general fund.	2	3	6	Portfolio to be actively managed to maintain income levels. Income to be reviewed regularly when MTFP is updated.	Head of Property Services	1	3	3	➡	PIB to assume responsibility for ongoing oversight.	Head of Property Services	Continuous
Sep-18	FIN23	Director of Finance	Budgetary	Commercial Investment	The Council has limited options to further improve self sustainability through commercial investment following changes to the the Prudential Code for Capital Finance and changes to Pw/LP	3	2	6	Oversight mechanisms to be put in place to ensure oversight by PIB or similar mechanism. Council to determine approach to risk and level of income dependency within budget.	Head of Finance	2	2	4	➡	Monitor new developments. Investments overseen by the cross party Shareholder and Commercial Ventures Panel.	Head of Property Services	Continuous
Nov-19	FIN 24	Director of Finance	Service	Loss of Key Personnel	As the Council becomes more complex in its financial arrangements, key skills become more important.	3	4	12	Improve depth of skills and knowledge. Bring in temporary additional resources as necessary.	Head of Finance	1	3	3	➡	Following a revision of job descriptions, minor amendments to the structure, and a successful recruitment campaign during 2022/23, the Finance team is currently fully staffed. All staff have an annual Personal Development Review which contains smart objectives including objectives related to career development and identification of training needs and opportunities.	Chief Executive/ Director of Finance	Continuous